



INSPECTOR GENERAL

U.S. Department of Defense

SEPTEMBER 23, 2013



The U.S. Air Force Academy Lacked Effective Controls Over Heritage Assets and Guest House Inventories, and Inappropriately Solicited and Accepted Monetary Gifts



INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

| Report Documentation Page | | | | Form Approved OMB No. 0704-0188 | |
|--|------------------------------------|-------------------------------------|---|---|---------------------------------|
| Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number. | | | | | |
| 1. REPORT DATE 23 SEP 2013 | | 2. REPORT TYPE | | 3. DATES COVERED 00-00-2013 to 00-00-2013 | |
| 4. TITLE AND SUBTITLE The U.S. Air Force Academy Lacked Effective Controls Over Heritage Assets and Guest House Inventories, and Inappropriately Solicited and Accepted Monetary Gifts | | | | 5a. CONTRACT NUMBER | |
| | | | | 5b. GRANT NUMBER | |
| | | | | 5c. PROGRAM ELEMENT NUMBER | |
| 6. AUTHOR(S) | | | | 5d. PROJECT NUMBER | |
| | | | | 5e. TASK NUMBER | |
| | | | | 5f. WORK UNIT NUMBER | |
| 7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Department of Defense Inspector General, 4800 Mark Center Drive, Alexandria, VA, 22350-1500 | | | | 8. PERFORMING ORGANIZATION REPORT NUMBER | |
| 9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES) | | | | 10. SPONSOR/MONITOR'S ACRONYM(S) | |
| | | | | 11. SPONSOR/MONITOR'S REPORT NUMBER(S) | |
| 12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited | | | | | |
| 13. SUPPLEMENTARY NOTES | | | | | |
| 14. ABSTRACT | | | | | |
| 15. SUBJECT TERMS | | | | | |
| 16. SECURITY CLASSIFICATION OF: | | | 17. LIMITATION OF ABSTRACT Same as Report (SAR) | 18. NUMBER OF PAGES 82 | 19a. NAME OF RESPONSIBLE PERSON |
| a. REPORT unclassified | b. ABSTRACT unclassified | c. THIS PAGE unclassified | | | |

Mission

Our mission is to provide independent, relevant, and timely oversight of the Department of Defense that: supports the warfighter; promotes accountability, integrity, and efficiency; advises the Secretary of Defense and Congress; and informs the public.

Vision

Our vision is to be a model oversight organization in the federal government by leading change, speaking truth, and promoting excellence; a diverse organization, working together as one professional team, recognized as leaders in our field.

.....
Fraud, Waste and Abuse
HOTLINE
1.800.424.9098 • www.dodig.mil/hotline
.....

For more information about whistleblower protection, please see the inside back cover.



Results in Brief

The U.S. Air Force Academy Lacked Effective Controls Over Heritage Assets and Guest House Inventories, and Inappropriately Solicited and Accepted Monetary Gifts

September 23, 2013

Objective

We determined whether the U.S. Air Force Academy (USAFA), its nonappropriated fund instrumentalities (NAFIs), and its supporting nonprofit organizations were properly accepting, recording, reporting, and disbursing donations, gifts, and nonappropriated funds.

Findings

USAFA, its NAFIs, and its supporting nonprofit organizations had adequate controls over some aspects of their gift and nonappropriated fund processes. However, improvements could be made regarding accepting, recording, reporting, and conserving heritage assets; recording guest house inventories; awarding contracts using monetary gifts; soliciting and accepting monetary gifts; and reporting nonmonetary gifts of services.

USAFA did not have effective controls for accepting, recording, reporting, and conserving heritage assets. This occurred because the USAFA Superintendent, the National Museum of the U.S. Air Force (NMUSAF) Director, and the USAFA Director of Communications did not provide adequate oversight of the USAFA Heritage Program. As a result, heritage assets are subject to misplacement, deterioration, destruction, and theft.

USAFA did not have adequate records for guest house furnishings purchased with monetary

Findings Continued

gifts. This occurred because the USAFA Superintendent did not appoint the appropriate property accountability personnel. As a result, guest house furnishings are subject to misuse, loss, and theft.

USAFA Development and Alumni Programs (CMA) officials inappropriately entered into contracts and modifications using monetary gifts without proper authority. This occurred because USAFA CMA officials were unaware that the Government Accountability Office (GAO) and Federal Acquisition Regulation (FAR) criteria applied to gift fund contracts. As a result, CMA officials created unauthorized contracting actions valued at approximately \$387,000.

The Air Force Academy Athletic Association (AFAAA) personnel inappropriately solicited, accepted, recorded, and reported over \$532,000 in monetary gifts. This occurred because AFAAA personnel were not familiar with DoD and Air Force requirements prohibiting the solicitation of gifts. AFAAA accounting staff also lacked training and experience necessary to accurately record and report the donations. As a result, AFAAA overstated its monetary gift revenue by over \$532,000.

Neither USAFA nor the Air Force General Counsel reported volunteer gratuitous service agreements used to fund academic chairs to Defense Finance and Accounting Service (DFAS). This occurred because general counsel staff believed USAFA was responsible for reporting these gifts since USAFA benefited from these gifts. As a result, neither USAFA nor the general counsel reported at least \$596,506 worth of nonmonetary gifts of services to DFAS.

Recommendations

Among other recommendations, USAFA should review the actions of personnel in the USAFA CMA office regarding the deficiencies identified in this report, including controls over heritage assets,



Results in Brief

The U.S. Air Force Academy Lacked Effective Controls Over Heritage Assets and Guest House Inventories, and Inappropriately Solicited and Accepted Monetary Gifts

Recommendations Continued

guest house furnishings, and contracts using gift funds. On the basis of that review, USAFA should take appropriate management action, including holding the necessary officials accountable.

Management Comments and Our Responses

Management comments were responsive. Please see the Recommendations Table on the next page.

Recommendations Table

| Management | Recommendations Requiring Comment | No Additional Comments Required |
|---|--------------------------------------|---|
| Under Secretary of Defense (Comptroller)/ Chief Financial Officer, DoD | | F.1 |
| Director, National Museum of the U.S. Air Force | | B.3.a and B.3.b |
| Superintendent, U.S. Air Force Academy | | B.1; C.1.a, C.1.b, C.1.c, C.1.d, C.1.e; E.1.a.(1), E.1.a.(2), and E.1.b |
| Director of Communications, U.S. Air Force Academy | | B.2.a, B.2.b, B.2.c.(1), B.2.c.(2), B.2.c.(3), B.2.c.(4), B.2.d, B.2.e, and B.2.f |
| Chief, U.S. Air Force Academy, Development and Alumni Programs | | D.1; F.2.a and F.2.b |
| Director, U.S. Air Force Academy, 10th Contracting Squadron | | D.2 |



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

September 23, 2013

MEMORANDUM FOR DISTRIBUTION

SUBJECT: The U.S. Air Force Academy Lacked Effective Controls Over Heritage Assets and Guest House Inventories, and Inappropriately Solicited and Accepted Monetary Gifts
(Report No. DODIG-2013-138)

We are providing this report for your information and use. This U.S. Air Force Academy (USAFA) audit is the second in a series of military academy audit reports requested by the Senate Armed Services Committee staff. Although USAFA, its Nonappropriated Fund Instrumentalities, and its supporting nonprofit organizations had adequate controls over some aspects of its gift and nonappropriated fund processes, improvements could be made regarding accepting, recording, reporting, and conserving heritage assets; recording guest house inventories; awarding contracts using monetary gifts; soliciting and accepting monetary gifts; and reporting nonmonetary gifts of services.

We considered management comments on a draft of this report when preparing the final report. Comments from the Under Secretary of Defense (Comptroller)/ Chief Financial Officer, DoD; National Museum of the U.S. Air Force; and the U.S. Air Force Academy conformed to the requirements of DoD Directive 7650.3; therefore, additional comments are not required.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 601-5945.

Lorin T. Venable, CPA
Assistant Inspector General
Financial Management and Reporting

Distribution:

UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CHIEF FINANCIAL OFFICER, DOD
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL MANAGEMENT AND
COMPTROLLER)

GENERAL COUNSEL, SECRETARY OF THE AIR FORCE
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE

DIRECTOR, NATIONAL MUSEUM OF THE U.S. AIR FORCE

SUPERINTENDENT, U.S. AIR FORCE ACADEMY

DIRECTOR OF COMMUNICATIONS, U.S. AIR FORCE ACADEMY

CHIEF, U.S. AIR FORCE ACADEMY, DEVELOPMENT AND ALUMNI PROGRAMS

DIRECTOR, U.S. AIR FORCE ACADEMY, 10TH CONTRACTING SQUADRON

Contents

| | |
|--|--------|
| Introduction | 1 |
| Objective | 1 |
| Background | 1 |
| Gift and Nonappropriated Fund Definitions | 2 |
| Review of Internal Controls | 4 |
| Finding A. Adequate Controls Existed Over Various Gift and Nonappropriated Fund Processes | 6 |
| USAFA Properly Accepted, Recorded, Reported, and Disbursed Monetary Gift Funds | 6 |
| A NAFI Properly Accepted a Nonmonetary Gift and Complied With Recording and Reporting Standards | 7 |
| NAFIs Properly Recorded, Reported, and Disbursed Nonappropriated Funds | 8 |
| Nonprofit Organizations Generally Reported Their Monetary Gifts Accurately | 9 |
| Finding B. USAFA Heritage Program Lacked Adequate Controls | 10 |
| Heritage Program and Its Inventory Databases | 10 |
| Improved Controls are Needed for Accepting, Recording, Reporting, and Conserving Heritage Assets | 11 |
| Heritage Program Lacked Adequate Oversight, Resources, and Standard Operating Procedures | 18 |
| Management Actions Taken to Perform Resource Reviews, Provide Oversight, and Further Search for the Humiston Artifacts | 20 |
| Summary | 20 |
| Management Comments on the Finding and Our Response | 21 |
| Recommendations, Management Comments, and Our Responses | 21 |
| Finding C. Guest House Furnishings Lacked Internal Controls | 26 |
| Guest House Furnishings Purchased With Monetary Gifts | 26 |
| Lack of Adequate Property Records for Guest House Furnishings | 26 |
| Lack of Appropriate Property Accountability Personnel and Standard Operating Procedures | 28 |

| | |
|--|----|
| Management Actions Taken to Perform an Initial Inventory of Guest House Furnishings | 30 |
| Recommendations, Management Comments, and Our Responses | 30 |
| Finding D. USAFA Inappropriately Awarded Contracts | 33 |
| USAFA Personnel Lacked Proper Authority to Sign Contracts | 33 |
| Air Force Policy Conflicts with Federal Guidelines | 34 |
| Management Actions Underway to Properly Award and Administer Contracts | 36 |
| Recommendations, Management Comments, and Our Responses | 36 |
| Finding E. NAFIs Inappropriately Solicited, Accepted, Recorded, and Reported Monetary Gifts | 38 |
| Blue and Silver Club | 38 |
| AFAAA Inappropriately Solicited and Accepted Monetary Gifts | 38 |
| AFAAA Incorrectly Recorded and Reported Gifts | 39 |
| Recommendations, Management Comments, and Our Responses | 41 |
| Finding F. Nonmonetary Gifts of Services for Academic Chairs Were Not Reported | 43 |
| USAFA Properly Accepted, Recorded, and Reported Nonmonetary Gifts | 43 |
| USAFA Properly Transferred Nonmonetary Gifts of Services for Academic Chairs | 44 |
| Nonmonetary Gifts of Services for Academic Chairs Not Reported to DFAS | 44 |
| Recommendations, Management Comments, and Our Responses | 46 |
| Appendixes | |
| Appendix A. Scope and Methodology | 48 |
| Use of Technical Assistance | 52 |
| Prior Coverage on Gift Policy and Procedures | 52 |
| Appendix B. NAFIs and Nonprofit Organizations Supporting USAFA | 54 |
| Nonappropriated Fund Instrumentalities | 54 |
| Nonprofit Organizations | 55 |
| Appendix C. Heritage Assets Not Properly Recorded | 56 |
| Appendix D. Heritage Assets Not Properly Conserved | 58 |
| Appendix E. Blue and Silver Club Membership Levels | 60 |

| | |
|--|----|
| Management Comments | 61 |
| Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD Comments | 61 |
| National Museum of the U.S. Air Force Comments | 63 |
| U.S. Air Force Academy Comments | 65 |
| Acronyms and Abbreviations | 70 |

Introduction

Objective

Our objective was to determine whether the United States Air Force Academy (USAFA), its nonappropriated fund instrumentalities (NAFIs),¹ and its supporting nonprofit organizations were properly accepting, recording, reporting, and disbursing donations,² gifts, and nonappropriated funds (NAFs).

We could not review USAFA and its NAFIs controls over disbursing nonmonetary gifts because nonmonetary gifts are not disbursed. In addition, USAFA does not receive or disburse NAFs, thus we were unable to determine whether USAFA properly accepts, records, reports, or disburses NAFs. Furthermore, NAFI's are primarily established to earn revenues of NAFs by performing services. We did not review and report on whether NAFI's properly accepted earned revenues of NAFs. We were also unable to determine whether NAFIs properly disbursed gift funds because NAFIs do not record and track monetary gifts separately from NAFs. Additionally, since nonprofits are private organizations, we did not test and report on whether they properly accepted, recorded, and disbursed monetary and nonmonetary gifts. Lastly, NAFs do not apply to nonprofit organizations because NAFs are earned and administered only through the auspices of a NAFI. Therefore, we could not test controls over these funds at nonprofit organizations.

We reviewed USAFA's controls for accepting, recording, reporting, and disbursing monetary gifts. We also reviewed USAFA's controls for accepting, recording, and reporting nonmonetary gifts. For NAFIs, we reviewed controls for accepting, recording, and reporting monetary and nonmonetary gifts, and controls for recording, reporting, and disbursing nonappropriated funds. Finally, we reviewed controls at the nonprofits for reporting monetary and nonmonetary gifts. See Appendix A for a discussion of scope and methodology and prior coverage related to the objectives.

Background

We performed this audit in response to a request from the Senate Armed Services Committee staff. We met with Committee staff and discussed their request for potential audits of gifts and NAFs at the U.S. Military Academy at West Point, U.S. Naval Academy, and USAFA. The Committee staff agreed with a phased audit approach for reviewing the military academies, starting with the U. S. Naval Academy. We issued the DoD Inspector

¹ A NAFI is a fiscal entity of the U.S. Government that is fully or partially supported by nonappropriated funds.

² Donations and gifts are the same and are used interchangeably throughout the report.

General Report No. DODIG-2012-017, “U.S. Naval Academy Officials Did Not Adhere to Contracting and Gift Policies,” on November 7, 2011. This USAFA audit is the second in a series of military academy audit reports.

According to USAFA publications, USAFA has a dual role as a military installation and a university. Much of USAFA is set up like an Air Force base, but the superintendent, commandant, dean of faculty, and cadet wing are set up in a manner resembling a civilian university. As an academic institution, USAFA must comply with the accreditation and athletic regulations of the North Central Association of Colleges and Schools, and the National Collegiate Athletic Association.

USAFA offers a 4-year program of instruction and experience designed to provide cadets the knowledge and foster the character essential for leadership, and the motivation to serve as Air Force career officers. Each cadet graduates with a bachelor of science degree and is commissioned as a second lieutenant in the Air Force.

The USAFA Superintendent is the commanding officer and is responsible for USAFA's regimen of military training, academics, athletics and character development programs. USAFA's mission is to educate, train, and inspire men and women to become officers of character motivated to lead the U.S. Air Force in service to our nation. Its vision is to be the Air Force's premier institution for developing leaders of character.

Gift and Nonappropriated Fund Definitions

The Federal Accounting Standards Advisory Board, Statement of Federal Financial Accounting Standards No. 7, “Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting,” April 1996, defines gifts as “contributions to the Government, that is, voluntary gifts of resources to a government entity by a nonfederal entity. Gifts may be monetary gifts, such as cash or securities, or nonmonetary such as land or buildings.”

Monetary Gifts

Monetary gifts accepted by USAFA are to be used for the benefit of USAFA, and subject to the terms of the gift, devise, or bequest. Once monetary gifts are deposited into a U.S. Treasury account, they become Government funds. Monetary gifts can be used for many different reasons including purchasing guest house furnishings and contracting for different types of academic services.

Nonmonetary Gifts

Nonmonetary gifts include property, plant, and equipment; heritage assets; and services. Nonmonetary gifts can include items such as plaques, statues, benches, and academic instruction. The Statement of Federal Financial Accounting Standards (SFFAS) No. 29, “Heritage Assets and Stewardship Land,” July 7, 2005, defines heritage assets as property, plant, and equipment that are unique for one or more of the following reasons: cultural, educational, historical, or natural significance. Heritage assets are collections of objects gathered and maintained for exhibition. Sections 431-433 and 470, title 16, United States Code, (16 U.S.C. § 431-433, 470), as amended, apply to heritage assets and these sections state that heritage assets constitute a part of the National Historical Collection and their preservation for public use is required.

DoD Regulation 7000.14-R, “Financial Management Regulation” (DoD FMR), volume 12, chapter 30, “Operation and Use of General Gift Funds,” defines services as activities that benefit the morale, welfare, or recreation of members of the armed forces and their dependents or are related or incidental to the conveyance of a gift of real or personal property.

Nonappropriated Funds

NAFs are Government monies and assets from sources other than monies appropriated by Congress. NAFs are separate and apart from funds recorded by the U.S. Treasury. NAFs shall be administered only through the auspices of a NAFI. Only NAFIs can use NAFs for the benefit of authorized patrons and the purpose of the NAFI.

Nonappropriated Fund Instrumentalities

A NAFI is a fiscal entity of the U.S. Government that is partially or fully supported by NAFs. NAFIs act in their own name to assist other DoD organizations in providing Air Force Services programs for military personnel and authorized civilians. USAFA has the following five NAFIS:

- Air Force Academy Athletic Association Fund;
- Air Force Lodging Fund;
- Cadet Dining Hall Fund;
- Morale, Welfare, and Recreation Fund; and
- Superintendent’s Mission Support Fund.

See Appendix B for a description of these NAFIs.

Nonprofit Organizations

USAFA depends on private funding to support military, academic, athletic, and character development programs. Six private nonprofit organizations support USAFA. These nonprofit organizations are the:

- Academy Research and Development Institute;
- Air Force Academy Foundation;
- Association of Graduates;
- Falcon Foundation;
- Friends of the Air Force Academy Library; and
- USAFA Endowment.

These nonprofit organizations support the USAFA mission through the funding of programs, facilities, scholarships, endowments for academic department chairs, etc. See Appendix B for a description of the two largest nonprofit organizations that we reviewed; the USAFA Association of Graduates and the USAFA Endowment.

Review of Internal Controls

DoD Instruction 5010.40, “Managers’ Internal Control Program (MICP) Procedures,” July 29, 2010, requires DoD organizations to implement a comprehensive system of internal controls that provide reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We determined that internal control weaknesses existed at USAFA regarding its heritage asset program, guest house inventory records, contracting with gift funds, soliciting and accepting monetary gifts, and reporting nonmonetary gifts of services.

The USAFA Superintendent, the National Museum of the U.S. Air Force (NMUSAF) Director, and the USAFA Director of Communications did not provide adequate oversight over the USAFA Heritage Program. In addition, the USAFA Superintendent and NMUSAF Director did not properly staff the heritage program. Furthermore, the director of communications did not establish standard operating procedures for accepting, recording, reporting, and conserving heritage assets at USAFA. (Finding B)

The USAFA Superintendent did not appoint the appropriate property accountability personnel to manage, record, and inventory guest house furnishings including pilferable items. In addition, the USAFA Superintendent did not establish standard operating

procedures to implement DoD and Air Force guidance for recording and inventorying guest house furnishings including pilferable items. (Finding C)

USAFA Development and Alumni Programs (CMA) officials were unaware that the Federal Acquisition Regulation (FAR) and Government Accountability Office (GAO) criteria applied to gift fund contracts. In addition, USAFA criteria on the use of gift funds conflicts with GAO criteria. (Finding D)

Air Force Academy Athletic Association (AFAAA) personnel were not familiar with DoD and Air Force requirements prohibiting the solicitation of gifts. In addition, AFAAA accounting staff lacked training and experience necessary to accurately record and report the donations. (Finding E)

The Air Force General Counsel believed USAFA was responsible for reporting nonmonetary gifts of services since USAFA benefited from these gifts. In addition, the DoD FMR did not clearly require entities to report nonmonetary gifts of services, specifically, those received through “volunteer gratuitous service agreements”³ to Defense Finance and Accounting Service (DFAS). (Finding F)

We will provide a copy of the report to the senior officials responsible for internal controls.

³ Volunteer gratuitous service agreements are those entered into and signed by a volunteer who agrees to provide gratuitous volunteer services to USAFA's Dean of Faculty, provide services without expectation of compensation from the U.S. Government, and agrees that no claim for services rendered will be made against the U.S. Government.

Finding A

Adequate Controls Existed Over Various Gift and Nonappropriated Fund Processes

USAFA, its NAFIs, and its supporting nonprofit organizations had adequate controls over some aspects of its gift and nonappropriated fund processes. For example:

- USAFA had adequate controls for accepting, recording, reporting, and disbursing⁴ monetary gift funds;
- NAFI properly accepted a nonmonetary gift and complied with recording and reporting standards;
- NAFIs properly recorded, reported, and disbursed nonappropriated funds; and
- Nonprofit organizations selected for review generally reported their monetary gifts accurately.

USAFA Properly Accepted, Recorded, Reported, and Disbursed Monetary Gift Funds

We reviewed a nonstatistical sample of 25 monetary gifts received in FY 2011 and determined that USAFA personnel accepted the monetary gifts in accordance with Air Force Instruction (AFI) 51-601, "Gifts to the Department of the Air Force," November 26, 2003, and the USAFA supplement dated February 21, 2008. For example, USAFA properly completed acceptance letters and recorded all 25 monetary gifts in separate gift fund accounts in accordance with USAFA Instruction (USAFAI) 51-601, "USAF Academy Management and Use of Gift Funds," July 11, 2006, and January 5, 2011. In addition, USAFA personnel properly reported the monetary gifts. For example, we traced all 25 monetary gifts to DD Form 1131, "Cash Collection Voucher," which is used to report monetary gifts to the Department of Treasury and to notify the Defense Finance and Accounting Service (DFAS) of the monetary gift.

⁴ USAFA lacks adequate controls over recording guest house furnishings purchased with gift funds and over awarding contracts with gift funds. See Findings C and D for our review and analysis of controls in place over guest house furnishings purchased with gift funds and over awarding contracts with gift funds.

USAFA CMA generally had adequate controls in place for disbursing monetary gift funds. Our testing of disbursements showed that USAFA personnel properly used gift funds. USAFAI 51-601 requires USAFA personnel to use monetary gifts for appropriate uses. We reviewed whether USAFA properly used \$5,000,000 of \$6,505,600 in monetary gifts disbursed during FY 2011. We determined that these disbursements met the donors' intent and were therefore used in accordance with USAFAI 51-601. However, we also tested disbursements related to gift fund contracts and found that the contracts were not signed by an authorized contracting officer as discussed in Finding D.

We reviewed \$5,000,000 of \$6,505,600 in monetary gifts disbursed during FY 2011...and the disbursements met the donors' intent.

A NAFI Properly Accepted a Nonmonetary Gift and Complied With Recording and Reporting Standards

During our testing of NAFI controls over accepting, recording, and reporting nonmonetary gifts, we found that the Morale, Welfare, and Recreation (MWR) fund,⁵ a NAFI, properly accepted a gift and followed procedures to ensure that the gift was not recorded and reported as required by the AFI 34-201 USAFA Supplement, "Use of Nonappropriated Funds (NAFS)," May 7, 2010, and Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made," June 1993. The gift was from the local minor league baseball team and consisted of 20,000 vouchers for baseball tickets, valued at \$181,000. The MWR properly accepted these nonmonetary gifts in accordance with AFI 34-201 USAFA Supplement.

NAF accounting office personnel were not required to record or report the receipt or transfer of this gift since the MWR was an intermediary in the transfer. SFAS 116 explains that when donors use an intermediary to transfer contributions to recipients, the contribution is not considered a contribution to the intermediary. Since the NAF accounting office was only an intermediary, it effectively applied accounting standards for the MWR Fund by not recording and reporting the receipt and transfer of this gift.

The NAF accounting office...effectively applied accounting standards for the MWR Fund.

⁵ The MWR Fund supports morale, welfare, and recreation activities and programs at USAFA. See Appendix B for more information on the MWR Fund.

NAFIs Properly Recorded, Reported, and Disbursed Nonappropriated Funds

AFAAA, a NAFI, properly recorded and reported \$397,980 in revenue for commercial sponsorships. AFAAA, the primary recipient of NAFI commercial sponsorship money, entered into a commercial sponsorship agreement to handle its sponsorship needs.⁶ We tested \$397,980 of \$466,380 reported on the AFAAA's operating statement during FY 2011. Based on our testing, we determined that AFAAA personnel properly recorded the revenue amounts and properly reported these funds on the operating statement.

NAFIs properly disbursed nonappropriated funds. During FY 2011, there were 401 NAFI contracting actions with a total value of approximately \$7.1 million. We reviewed 36 NAFI contracting actions consisting of:

- Twenty three contracts valued at \$2 million;
- Nine blanket purchase agreements valued at \$827,000; and
- Four delivery orders valued at \$987,673.

Based on our nonstatistical sample of 36 contracting actions valued at \$3.8 million, USAFA officials properly disbursed approximately \$3.8 million of NAFs through NAFI contracting actions. USAFA contracting officers complied with Air Force Manual (AFMAN) 64-302, "Nonappropriated Fund (NAF) Contracting Procedures," November 3, 2000, to disburse the NAFs during FY 2011.



USAFA officials properly disbursed approximately \$3.8 million of NAFs through NAFI contracting actions.

All NAF contract disbursements were processed centrally by the Air Force Services Agency. The 10th Force Support Squadron and the 10th Contracting Squadron prepared, maintained, and managed the 36 NAFI contracting actions.⁷ All USAFA contracting personnel had contracting warrants, as required by AFMAN 64-302.

For the contract actions we reviewed, contracting officers competed contracts when appropriate and properly prepared sufficient sole-source justifications when purchasing from a single source. AFMAN 64-302 provides specific requirements for the number

⁶ AF 34-407 USAFA Supplement, "Air Force Commercial Sponsorship Program," October 28, 2010, defines commercial sponsorship as the outside partial underwriting of an MWR event (as an element of the Air Force Services) by a consumer product/service company using money, goods and/or services to obtain limited recognition and advertising benefits.

⁷ The 10th Force Support Squadron has limited contracting authority and cannot exceed \$25,000 for non-resale purchases. The 10th Contracting Squadron is USAFA's base appropriated fund contracting office that handles contracts over \$25,000.

of solicitations required when competing contracts over \$5,000, up to and including \$100,000, and exceeding \$100,000. Further AFMAN 64-302 provides exceptions to competition for certain types of contracting actions. For example, contracting for resale items, delivery orders, or entertainment contracts do not need competition.

USAFA was required to compete 11 of 36 contracting actions based on the contract amount and type of service. Contracting officers documented their rationale for awarding 11 of 36 contracting actions requiring competition. USAFA obtained competitive bids from at least two sources for 9 of 11 contracting actions requiring competition. The contracting officers' analysis included a review of price for these nine contracts. For the two contracting actions that did not receive at least two bids, USAFA properly prepared sole-source justifications. The USAFA contracting officers provided sufficient justification to purchase from a single source for the two sole-source contracts. The remaining 25 contracting actions did not require competitive bids because they were either purchases below \$5,000, resale items, delivery orders, or commercial entertainment contracts.

Nonprofit Organizations Generally Reported Their Monetary Gifts Accurately

There were no material differences between the amount of monetary gifts USAFA recorded and reported it received from nonprofits and the amount of monetary gifts the nonprofits reported they gave to USAFA. USAFA's six supporting nonprofit organizations reported \$5.9 million in monetary gifts to USAFA between July 2009 and December 2010.⁸ We compared the monetary gifts reported by the supporting nonprofit organizations to the amount of gift funds USAFA reported it received from the supporting nonprofit organizations during the same time period. The reconciliation showed there were only immaterial differences of about \$2,500, between the two amounts.

⁸ We reviewed the nonprofits' Internal Revenue Service Form 990 to determine the amount reported as monetary gifts to USAFA. The six nonprofits had different tax years that ranged between July 1, 2009 and December 31, 2010. Two of the nonprofits did not contribute funds to USAFA during that time frame.

Finding B

USAFA Heritage Program Lacked Adequate Controls

USAFA officials did not have effective controls for accepting, recording, reporting, and conserving⁹ heritage assets. Specifically, the former museum specialist¹⁰ did not:

- have formal authority to accept heritage assets;
- record all heritage assets in the Air Force Museum Artifacts Tracking System (AFMATS);
- perform required biennial inventories of heritage assets and prepare inventory reports; and
- conserve heritage assets.

These conditions occurred because the USAFA Superintendent, the NMUSAF Director, and the USAFA Director of Communications did not provide adequate oversight of the USAFA Heritage Program, such as delegating gift acceptance authority and ensuring complete inventories of heritage assets at USAFA were performed. In addition, the USAFA Superintendent and NMUSAF Director did not properly staff the heritage program and the director of communications did not establish standard operating procedures for accepting, recording, reporting, and conserving heritage assets at USAFA. As a result, heritage assets are subject to misplacement, deterioration, destruction, and theft.

Heritage Program and Its Inventory Databases

In its 58 years of existence, USAFA has accumulated a collection of approximately 5,000 historical objects for its heritage program. This collection includes a total of 2,429 artifacts on loan to USAFA from the NMUSAF. AFI 84-103, "Air Force Heritage Program," October 27, 2004 states that Sections 431-433 and 470, title 16, United States Code (2012), state that all of these items constitute a part of the National Historical Collection and their preservation for public use is required.

USAFA Heritage Program assets are classified as Historical Holdings for NMUSAF according to AFI 84-103. AFI 84-103 also provides guidance for accepting, recording,

⁹ The condition of a heritage asset must be recorded in AFMATS. While we could not determine whether the reported condition of the asset was accurate due to a lack of technical expertise, during our observation of the heritage assets, we identified that the assets were not properly conserved.

¹⁰ The museum specialist retired in February 2012. USAFA hired a new museum specialist in March 2012.

reporting, and conserving heritage assets. Heritage assets are nonmonetary gifts of property, plant, and equipment that have cultural, educational, historical, or natural significance.

The museum specialist manages the heritage program at USAFA. The museum specialist organizationally reports to the Development and Alumni Programs (CMA) Chief and the chief reports to the director of communications. The museum specialist uses three databases to record heritage assets: the USAFA Local Collection database, AFMATS, and the Pentagon Art Program Collection database.

USAFA Local Collection Database. An in-house database that records all the historical items located at USAFA. It is maintained and operated by the museum specialist for detailed data on heritage assets. This database is not required by the Air Force.

AFMATS Database. The central accounting and management program for Air Force historical property. AFI 84-103 requires all heritage activities with more than 100 items of historical property to use AFMATS.

Pentagon Art Collection Database. Tracks a special collection of heritage assets that are borrowed from the Pentagon Art Program. The Air Force Art Program requires the use of this database.

Improved Controls are Needed for Accepting, Recording, Reporting, and Conserving Heritage Assets

USAFA officials did not have effective controls for accepting, recording, reporting, and conserving gifts of heritage assets. We selected a sample of 25 heritage assets to determine whether adequate controls were in place for accepting, recording, reporting, and conserving heritage assets. The results of our testing are summarized below.

Former Museum Specialist Was Not Authorized to Accept Heritage Assets

The former museum specialist accepted heritage assets without formal authority. The USAFA Superintendent and NMUSAF Director never delegated authority to the former museum specialist to accept or reject heritage assets. AFI 51-601, "Gifts to the Department of the Air Force," February 21, 2008, authorizes the

The USAFA Superintendent and NMUSAF Director never delegated authority to the former museum specialist to accept or reject heritage assets.

USAFA Superintendent to accept gifts of personal property valued at \$100,000 or less, and real property valued at \$10,000 or less. AFI 51-601 also states that officials may delegate their authority to subordinate commanders and principal subordinates. In addition, an opinion rendered by the Headquarters, U.S. Air Force Judge Advocate General in January 2009, stated the NMUSAF Director can also designate a subordinate to sign or act in the commander's name within limits established by the commander. To ensure heritage assets are properly accepted, the USAFA Superintendent should delegate acceptance authority for heritage assets to the USAFA Museum Specialist or other individuals as appropriate.

Additionally, USAFA officials did not maintain copies of Air Force Form 3571, "USAF Museum System Proffer of Gift Agreement,"¹¹ for any of the 25 sampled heritage assets. AF Form 3571 legally transfers items, including heritage assets, from the donor to the U.S. Air Force and the USAFA Heritage Program and is required upon acceptance of donated historical property. AFI 84-103 requires that signed originals of the AF Form 3571 be kept in the item's accession folder. The USAFA Director of Communications should implement controls to ensure that AF Form 3571 is completed and maintained for all heritage assets received.

Former Museum Specialist Did Not Properly Record Heritage Assets

The former museum specialist did not properly record all heritage assets in AFMATS. Our testing of the 25 heritage assets showed that the former museum specialist did not maintain accountability records. The former museum specialist did not complete AF Form 3582, "USAF Museum System Accession Worksheet,"¹² properly maintain photographs in the accession folder, describe the condition of the heritage asset, and assign a permanent accession number.¹³ AFI 84-103 states that all heritage activities must ensure accountability of heritage assets and that all heritage activities with more than 100 items of historical property must use AFMATS for recording purposes. AFI 84-103 further states that heritage activities must establish accountability of assets within 24 hours of receipt by entering the items into the heritage activity's accession register. An accession register is a system, either in manual/paper form or electronic form, or both used to track heritage assets. AFI 84-103 requires certain documentation to be maintained including: AF Form 3571, AF Form 3582, a photo of the heritage asset, condition of the heritage asset, and assignment of a permanent accession number.

¹¹ Air Force Form 3571 should include donor name or source, nomenclature, date, and who accepted the heritage assets.

¹² Air Force Form 3582 must be completed within 30 days and constitutes the primary record of all heritage assets. Air Force Form 3582 provides details such as date received, accession number, class/type, and location.

¹³ The accession number is a sequential number given to the heritage asset that identifies the location, year the heritage asset was received, the item number, and the subunit or unit number for categorizing the heritage asset.

Specifically, the former museum specialist did not maintain AF Forms 3571 and 3582 for any of the heritage assets we sampled. Although the former museum specialist provided photographs for the 25 heritage assets reviewed, he did not save the photographs in the accession folder as required by AFI 84-103. Instead, the former museum specialist saved the photographs in a separate file on his computer without any unique identifier that would permit linking the photographs to the Local Collection database or AFMATS. Further, he did not ensure that the accession number was clearly marked on the photographs, as required by AFI 84-103.¹⁴ Additionally, the former museum specialist did not enter the overall condition for 8 of 25 heritage assets in AFMATS. Finally, USAFA personnel never assigned a permanent accession number to 9 of 25 heritage assets. See Appendix C for a table summarizing the 25 heritage assets that were not properly recorded by the specialist. The USAFA Director of Communications should implement controls to ensure that AF Form 3582 is completed and maintained for all heritage assets received.

During an interview, the former museum specialist stated that there were heritage assets scattered across the USAFA campus that were not recorded in either the Local Collection database or AFMATS. The former museum specialist's statement was supported by our observations. Figure 1 below shows many heritage assets in the Harmon Hall basement storage room that were not recorded by the former museum specialist, in AFMATS, including artwork and military officers' uniforms.

The former museum specialist stated that there were heritage assets scattered across the USAFA campus that were not recorded.

Figure 1. Heritage Assets Not Recorded



¹⁴ Photographs of the heritage assets on display or in a collection should have the accession number clearly marked for easy identification.

Furthermore, a September 2011 memorandum report¹⁵ prepared by the NMUSAF staff stated that USAFA had not properly recorded all of its heritage assets. The report stated that 279 heritage assets were not accessioned properly into AFMATS and 400 assets had been assigned accession numbers in prior years, but had not been entered into AFMATS and reported to NMUSAF. The USAFA Director of Communications should implement controls to ensure that all heritage assets are recorded in AFMATS in accordance with AFI 84-103. Specifically, the USAFA Director of Communications should implement controls to ensure that the accession folder includes photographs, photographs include an accession number, the accurate heritage asset condition is in AFMATS, and all heritage assets are assigned a permanent accession number.

Location of Heritage Assets. The three databases used by USAFA to record and track heritage assets did not provide the specific location of the 25 heritage assets in our sample. Therefore, we could not independently track heritage assets to their specific physical locations during our review. For example, AFMATS only listed the USAFA library as the location for a French infantry musket dating back to the late 1700's. We were unable to find the musket in the library without the assistance of the former museum specialist because AFMATS did not list the floor, hallway, or specific room within the library where the musket was located. Because specific physical locations were not provided in any of the USAFA databases, we were unable to independently find the 25 heritage assets during our physical inventory. Instead, we had to use the assistance of the former museum specialist during the inventory to find the heritage assets. The former museum specialist was the only official responsible for heritage assets at USAFA and as a result the only one with the knowledge to know exactly where the assets were located. AFMATS does not necessarily require a specific location. However, given the unique circumstances at USAFA, such as not having a museum, and only having one person responsible for all aspects of the program, it is very important that a detailed location be documented to ensure USAFA is able to maintain proper oversight of the heritage assets. Another example of a problem identified with the location of heritage assets, was during the inventory, the former museum specialist pointed out an original Norman Rockwell painting that was not part of our sample. A similar original Norman Rockwell painting is valued over \$6 million. Given the uniqueness and value of the original painting, we traced the painting to AFMATS, and determined that a detailed location of this asset was not listed in AFMATS.



We could not independently track heritage assets to their specific physical locations during our review.

¹⁵ This report was the result of a site assistance visit from NMUSAF to review USAFA's overall compliance with Air Force guidance and standards established in AFI 84-103.

We also found that 1 of 25 heritage assets in our sample was noted as transferred to NMUSAF in AFMATS. This heritage asset collectively represented 118 items known as the Humiston Prisoner of War Collection. The former museum specialist showed us paperwork transferring the entire Humiston Prisoner of War Collection to NMUSAF. However, NMUSAF had record of receiving only 93 of 118 items from the collection. The NMUSAF September 2011 memorandum report stated that the former museum specialist was never able to locate the 25 missing items. According to the report, the former museum specialist stated that the items were recorded in AFMATS and sent to NMUSAF in 2005 by his predecessor. However, the predecessor museum specialist was not present when the donor packed the Humiston Prisoner of War Collection. To ensure that all items of the Humiston Prisoner of War Collection are accounted for, the NMUSAF Director should conduct a formal search for the missing items from the Humiston Prisoner of War Collection and take the actions required by AFI 84-103.

Former Museum Specialist Did Not Perform Inventories and Did Not Properly Report Heritage Assets

The former museum specialist did not perform required biennial inventories of heritage assets and prepare inventory reports. AFI 84-103 states that proper stewardship of heritage assets requires regular and comprehensive inventories, including a comprehensive wall-to-wall inventory on all heritage assets biennially, and reporting the inventory to NMUSAF biennially. The NMUSAF Director granted an extension in 2007 and a temporary exemption in 2009 to the former museum specialist for the wall-to-wall inventories. However, the former museum specialist never completed either inventory.



The former museum specialist did not perform required biennial inventories of heritage assets and prepare inventory reports.

In February 2007, the former museum specialist requested an extension from NMUSAF for completing the inventory due May 1, 2007. The former museum specialist requested this extension due to the relocation of specific collections from temporary storage; the dispersed nature of items displayed across the USAFA campus; the large number of items and locations not recorded in AFMATS; cataloging and data entry errors; and the lack of photographs for artifacts. In April 2009, the former museum specialist requested a temporary exemption for the biennial inventory requirement until the collection could be inventoried, reconciled, and properly cataloged into AFMATS. The request stated that the temporary exemption was necessary due to the extreme amount of discrepancies discovered during the 2007 inventory and current efforts to bring the collection into compliance with AFI 84-103. The request also described the demands placed on the

former museum specialist, the unique nature of USAFA, and its system of priorities that made a concerted effort to complete the inventory in a systematic manner impossible.

The NMUSAF September 2011 memorandum report stated that USAFA staff had concerns that an inventory of heritage assets could not be completed because identified problems had not been resolved. The NMUSAF memorandum report also stated that the former museum specialist stated that he might retire in 2011. Based on this information, the NMUSAF conducted a staff assistance visit to USAFA to assist them in preparing for the required biennial inventory. The NMUSAF team found that heritage assets were not accessioned properly into AFMATS. Furthermore, the NMUSAF team found that heritage assets previously assigned accession numbers had not been entered into AFMATS and reported to NMUSAF. The results of our review support NMUSAF's findings.

In June 2013, USAFA officials reported that a comprehensive wall-to-wall inventory of heritage assets was accomplished in April 2013 and future biennial inventories will be conducted in accordance with AFI 84-103. Therefore, we are not making a recommendation to the USAFA Director of Communications to conduct a wall-to-wall inventory and ensure biennial inventories are performed. NMUSAF officials, in June 2013, reported that they are no longer granting extensions for the required comprehensive wall-to-wall inventories of USAFA heritage assets. Therefore, we are not making any recommendation to the NMUSAF Director to cease granting extensions or temporary exemptions. The NMUSAF Director should perform oversight of USAFA's inventory of heritage assets until USAFA's entire inventory of heritage assets are properly accepted, recorded, and reported.



In June 2013, USAFA officials reported that a comprehensive wall-to-wall inventory of heritage assets was accomplished.

Heritage Assets Not Conserved

The former museum specialist did not enter the overall condition for 8 of 25 heritage assets in AFMATS. AFI 84-103 requires the condition of the heritage asset to be recorded. We could not determine whether the recorded conditions for the remaining



The museum specialist did not ensure that the heritage assets were adequately protected.

17 heritage assets were accurate because we are not conservation experts. In addition, the museum specialist did not ensure that the heritage assets were adequately protected against agents of deterioration, destruction, and theft. Agents of deterioration include mold and mildew, insects or vermin, mechanical stress, dust, pollution, vandalism, excessive heat and humidity, and visible ultraviolet light

extremes. AF Policy Directive 84-1, "Historical Information Property and Art," September 16, 2005, states that the mission of all U.S. Air Force Heritage Program activities is to work collectively to express the Air Force's heritage and to preserve its material culture. AFI 84-103 also outlines specific procedures for protecting and conserving heritage assets. For example, AFI 84-103 suggests that all heritage assets should be in cases. In addition, AFI 84-103 references an American Association of State and Local History book for the proper conservation of heritage assets. "The Care of Antiques and Historical Collections," by A. Bruce MacLeish, states:

Proper storage for artifacts is vital to their preservation—it should provide the opportunities to guard the collection against various agents of destruction more easily than may be possible when the objects are on view. In a closed, confined space, it should be simpler to control changes in relative humidity, air pollution, vibration, light, insects and other pests, deleterious materials, and handling by humans. Not only is good storage a legal responsibility of museums—it is the cheapest, most effective technique for preserving the monetary and historical value of collections objects.

We observed that 17 of 25 heritage assets were at risk for deterioration, destruction, and theft. Figure 2 shows several paintings, one of which was in our sample, that were stored in Harmon Hall's basement storage room.

Figure 2. Paintings Not Properly Conserved



There were many other heritage assets such as airplane models, maps, officer's uniforms, and trophies in the Harmon Hall basement storage room that USAFA did not adequately protect and conserve. In addition, we observed another sample item, a Japanese lantern, located on the patio of the USAFA Superintendent's residence without protection from

inclement weather. Figure 3 shows the Japanese lantern, over 100 years old, that was subjected to rainwater or frost that could accumulate in the small cracks or pitted areas of the stone. The force from the expansion of freezing water makes the surface susceptible to chipping and cracking. The former museum specialist did not know this asset was located on the patio of the USAFA Superintendent's residence until our audit.

Figure 3. Japanese Lantern Not Properly Conserved



See Appendix D for a table summarizing the 17 heritage assets that were not properly conserved.

Heritage Program Lacked Adequate Oversight, Resources, and Standard Operating Procedures

The USAFA Superintendent, NMUSAF Director, and the USAFA Director of Communications did not provide adequate oversight of the heritage program. For example, the USAFA Superintendent did not delegate gift acceptance authority and did not ensure heritage assets were being properly accepted, recorded, reported, and conserved. The NMUSAF Director and the USAFA Director of Communications did not require the former museum specialist to complete comprehensive wall-to-wall inventories of USAFA heritage assets, and as a result, an inventory of heritage assets was not completed.

Additionally, the USAFA Superintendent and NMUSAF Director did not properly staff the heritage program to ensure that heritage assets were properly accepted, recorded, reported, and conserved. USAFA officials stated that in March 2011, the USAFA Director of Communications, in coordination with the USAFA Manpower and Personnel, documented the need for an additional person for the heritage program,

The USAFA Superintendent and NMUSAF Director did not properly staff the heritage program.

but the position was never funded. USAFA is the only U.S. military academy without a museum, and the heritage program was managed by one person, the former museum specialist. The former museum specialist was responsible for managing approximately 5,000 heritage assets. In addition, the NMUSAF September 2011 memorandum report stated that the former museum specialist was also responsible for 153 pieces of art work on loan from the Air Force Art Program office, a collection of more than 3,000 paintings and art objects, 250 decorative furnishings in leadership residential quarters, hundreds of mementos presented by dignitaries, and the office equipment account. In addition to his duties as the museum specialist, he was responsible for maintaining an inventory of the furnishings located at USAFA guest houses. The report also stated that he was the client support administrator for the office computer systems and was responsible for coordinating memorial events and dedication ceremonies. The report stated that all of these other duties did not give the former museum specialist time to focus on the proper accountability and care for heritage assets or the time needed to develop, research, or present new exhibits.

According to the former museum specialist and the NMUSAF September 2011 memorandum report, USAFA did not include funding in the USAFA annual budgets to manage the program. Prior to 2006, the heritage program was funded through gifts on an individual project or request basis. The report also stated that since 2006, appropriated funds, initially allocated to other functions, had been used for the historical property collection.¹⁶ The report stated that these limited funds had been used to reframe artwork and for curatorial supplies and equipment but were inadequate given the size and scope of the USAFA heritage assets. In June 2013, USAFA officials reported that the USAFA Director of Communications, in coordination with the USAFA Manpower and Personnel, documented the need for an additional person for the heritage program, but the position is currently unfunded. Therefore, we are not making a recommendation to the USAFA Director of Communications to perform a resource requirement review for the heritage program. However, we recommend that the USAFA Director of Communications take appropriate action as determined by the review.

Furthermore, the USAFA Director of Communications did not establish standard operating procedures (SOPs) for accepting, recording, reporting, and conserving USAFA heritage assets. If USAFA had SOPs that defined responsibilities for heritage assets and provided detailed guidance on how to properly accept, record, report, and conserve heritage assets, it may have managed the heritage program more effectively.

¹⁶ The museum specialist estimated that USAFA allocated \$10,000 or less per fiscal year to the heritage program from unexpended Development and Alumni Programs Division appropriated funds.

The USAFA Director of Communications should perform a review and analysis of the heritage program to determine the most efficient and effective processes and procedures for accepting, recording, reporting, and conserving heritage assets. Based on this review and analysis, the USAFA Director of Communications should develop and implement processes and standard operating procedures for accepting, recording, reporting, and conserving USAFA heritage assets.

Management Actions Taken to Perform Resource Reviews, Provide Oversight, and Further Search for the Humiston Artifacts

USAFA officials stated that the Manpower and Personnel Office has recently initiated another review of the current manpower for the CMA office. NMUSAF officials stated that as of June 2013, they were working on reconciling the findings from previous inventories and providing guidance and oversight to the historical property custodian. However, due to budget restraints within the Air Force and the completion of the inventory, they determined a site assistance visit was not necessary at this time. Finally, in January 2013, NMUSAF re-verified that the Humiston artifacts were not returned to NMUSAF. Therefore, NMUSAF officials have begun taking steps to complete a Report of Survey¹⁷ for the missing items, as required by AFI 84-103.

Summary

USAFA officials did not have effective controls for accepting, recording, reporting, and conserving heritage assets. Specifically, the former museum specialist did not have formal authority to accept heritage assets, did not record all heritage assets in AFMATS, did not complete required inventories, and did not conserve heritage assets. As a result, USAFA heritage assets are subject to misplacement, deterioration, destruction, and theft. We identified other similar weaknesses in oversight of guest house furnishings (Finding C) and gift fund contracts (Finding D). We recommend that the USAFA Director of Communications review the actions of personnel in the CMA office regarding the deficiencies identified in this report, including controls over heritage assets (Finding B), guest house furnishings (Finding C), and contracts using gift funds (Finding D). On the basis of that review, take appropriate management action, including holding the necessary officials accountable.

¹⁷ A Report of Survey is an internal investigative process to locate or determine a final disposition of missing property.

Management Comments on the Finding and Our Response

Management Comments on Oversight of the U.S. Air Force Academy Heritage Assets

The Director, NMUSAF, stated he does not resource the USAFA heritage program and decisions for the establishment, operation, and sustainment of heritage programs are performed at the organizational level based on manpower standards and work load requirements. In addition, the NMUSAF Director stated that he did require the museum specialist to complete wall-to-wall inventories of USAFA heritage assets; however, the museum specialist did not do it.

Our Response

We disagree. We understand that NMUSAF does not directly support the USAFA Heritage Program. However, USAFA Heritage Program assets are classified as Historical Holdings according to AFI 84-103, "U.S. Air Force Heritage Program," October 27, 2004. Further, AFI 84-103 states that NMUSAF is responsible for the care and management of all Air Force historical property, including historical holdings. In addition, NMUSAF did not provide any staff assistance to the USAFA Heritage Program until 2011. Specifically, the NMUSAF Director granted an extension in 2007 and a temporary exemption in 2009 to the former museum specialist for a wall-to-wall inventory, but it was never completed. A comprehensive wall-to-wall inventory was finally completed in April 2013.

Recommendations, Management Comments, and Our Responses

Recommendation B.1

We recommend that the USAFA Superintendent delegate acceptance authority for heritage assets to the USAFA Museum Specialist or other individuals as appropriate.

Superintendent, U.S. Air Force Academy Comments

The Superintendent, USAFA, agreed, stating that the museum specialist has been appointed as the historical property custodian for historical property at USAFA in accordance with AFI 84-103, "U.S. Air Force Heritage Program," October 27, 2004. In addition, specific acceptance authority for heritage assets will be added to USAFAI 51-601, "USAF Academy Management and Use of Gift Funds," January 5, 2011, for the museum specialist. USAFAI 51-601 will be revised by December 31, 2013.

Our Response

The USAFA Superintendent's comments were responsive and no further comments are required.

Recommendation B.2

We recommend that the USAFA Director of Communications:

- a. Review the actions of personnel in the CMA office regarding the deficiencies identified in this report, including controls over heritage assets (Finding B), guest house furnishings (Finding C), and contracts using gift funds (Finding D). On the basis of that review, take appropriate management action, including holding the necessary officials accountable.¹⁸**

Director of Communications, U.S. Air Force Academy Comments

The Superintendent, USAFA, responding for the Director of Communications, agreed, stating that the director will review the actions of personnel in the Development and Alumni Programs office regarding the deficiencies identified in the report and consider any appropriate management actions which may be warranted. The review will be completed by December 31, 2013.

- b. Implement controls to ensure that AF Form 3571, "USAF Museum System Proffer of Gift Agreement," and AF Form 3582, "USAF Museum System Accession Worksheet," are completed and maintained for all heritage assets received.**

Director of Communications, U.S. Air Force Academy Comments

The Superintendent, USAFA, responding for the Director of Communications, agreed, stating that Air Force Form 3571, "USAF Museum System Proffer of Gift Agreement," and Air Force Form 3582, "USAF Museum System Accession Worksheet," are now used for heritage assets received by USAFA. In addition, guidance and controls will be implemented by December 31, 2013, to ensure that the forms are prepared in accordance with requirements of AFI 84-103, "Air Force Heritage Program," October 27, 2004.

¹⁸ Our audit identified weaknesses in controls and oversight of heritage assets (Finding B), guest house furnishings inventory (Finding C), and gift fund contracts (Finding D). We do not make an accountability recommendation in each finding as this serves as the accountability recommendation for the entire report.

c. **Implement controls to ensure that all heritage assets are recorded in AFMATS in accordance with Air Force Instruction 84-103, "Air Force Heritage Program," October 27, 2004. Specifically, the Director of Communications should implement controls to ensure that:**

1. **the accession register includes photographs;**
2. **photographs include an accession number;**
3. **the accurate heritage asset condition is in the Air Force Museum Artifacts Tracking System; and**
4. **all heritage assets are assigned a permanent accession number.**

Director of Communications, U.S. Air Force Academy
Comments

The Superintendent, USAFA, responding for the Director of Communications, agreed, stating that all recent acquisitions are recorded in AFMATS in accordance with AFI 84-103, "Air Force Heritage Program," October 27, 2004. The USAFA Superintendent also stated that future acquisitions of heritage assets will be recorded in AFMATS in accordance with AFI 84-103, and controls will be implemented to ensure heritage assets are recorded properly. All heritage assets will be recorded in AFMATS by June 30, 2014.

d. **Take appropriate action as determined by the resource requirement review.**

Director of Communications, U.S. Air Force Academy
Comments

The Superintendent, USAFA, responding for the Director of Communications, agreed, stating that after the manpower study is completed, leadership support will be requested to fund any additional validated positions. The manpower study and request for any positions will be completed by December 31, 2013.

e. **Perform a review and analysis of the USAFA Heritage Program to determine the most efficient and effective processes and procedures for accepting, recording, reporting, and conserving heritage assets.**

***Director of Communications, U.S. Air Force Academy
Comments***

The Superintendent, USAFA, responding for the Director of Communications, agreed, stating that a review and analysis of the USAFA heritage program will be conducted to determine if any additional processes and procedures are needed in addition to the requirements in AFI 84-103, "Air Force Heritage Program," October 27, 2004 and AFI 84-104, "Art Program," January 1, 2006. A review and analysis of the heritage program will be completed by December 31, 2013.

- f. Based on the results of the review and analysis of the USAFA Heritage Program, develop and implement processes and standard operating procedures for accepting, recording, reporting, and conserving heritage assets.**

***Director of Communications, U.S. Air Force Academy
Comments***

The Superintendent, USAFA, responding for the Director of Communications, agreed, stating that USAFA will develop processes and standard operating procedures for accepting, recording, reporting, and conserving heritage assets. Any new processes and procedures will be completed by December 31, 2013.

Our Response

The USAFA Superintendent's comments were responsive and no additional comments are required.

Recommendation B.3

We recommend that the National Museum of the U.S. Air Force, Director:

- a. Conduct a formal search for the missing items from the Humiston Prisoner of War collection and take action as required by AFI 84-103, "Air Force Heritage Program," October 27, 2004.**

Director, National Museum of the U.S. Air Force Comments

The Director, NMUSAF, agreed, stating that a formal search was conducted for the missing items from the Humiston Prisoner of War Collection. USAFA completed its biennial inventory and returned the loan agreement to NMUSAF. NMUSAF curators completed a wall-to-wall inventory of items located at the national museum in January 2013, and re-verified that the missing Humiston artifacts were not returned.

The senior curator completed research of market and commercial sources and established values for the missing artifacts so that a Report of Survey can be processed. Once this process is completed, the items will be removed from the account and deaccessioned from the U.S. Air Force national historical collection in accordance with procedures contained in AFI 84-103, "Air Force Heritage Program," October 27, 2004.

- b. Perform oversight of USAFA's inventory of heritage assets until USAFA's entire inventory of heritage assets are properly accepted, recorded, and reported.**

Director, National Museum of the U.S. Air Force Comments

The Director, NMUSAF, agreed, stating that actions have been taken to oversee the inventory of heritage assets at USAFA. The director stated that USAFA completed its biennial inventory and returned the loan agreement to NMUSAF. In addition, USAFA uses AFMATS to record location changes and new acquisitions. NMUSAF curators verify this information as it is received from USAFA and are working to reconcile the findings from the inventory process. Additionally, NMUSAF curators continue to provide guidance and oversight to USAFA including the need for establishing legal acceptance for new accessions and the completion of Air Force Form 3571, "USAF Museum System Proffer of Gift Agreement."

Our Response

The NMUSAF Director's comments were responsive and no additional comments are required.

Finding C

Guest House Furnishings Lacked Internal Controls

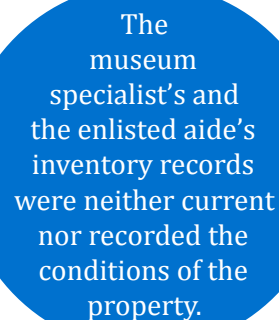
USAFA did not have adequate records for guest house furnishings purchased with monetary gifts. This occurred because the USAFA Superintendent did not appoint the appropriate property accountability personnel to manage, record, and inventory guest house furnishings including pilferable items. In addition, the USAFA Superintendent did not establish SOPs to implement DoD and Air Force guidance for recording and inventorying guest house furnishings including pilferable items. As a result, the guest house furnishings are subject to misuse, loss, and theft.

Guest House Furnishings Purchased With Monetary Gifts

USAFA owns two guest houses located on the grounds of the USAFA Superintendent's residence. Some of the furnishings, including pilferable items, located within the houses were purchased with monetary gifts and are therefore required to be accounted for and inventoried in accordance with DoD and Air Force accountable property criteria. DoD Instruction 5000.64, "Accountability and Management of DoD Equipment and Other Accountable Property," May 19, 2011, defines pilferable items as property that has a ready resale value or application to personal possession and that are, therefore, especially subject to theft.

Lack of Adequate Property Records for Guest House Furnishings

USAFA did not have adequate property records for guest house furnishings, including pilferable items purchased with monetary gifts. For example, the museum specialist's and the enlisted aide's inventory records were neither current nor recorded the conditions of the property. DoD Instruction 5000.64 requires that accountable property records be established for pilferable items. Further, AFI 23-111, "Management of Government Property in the Possession of the Air Force," January 7, 2011, states that commanders/directors, supervisors, and subordinates must accurately maintain property records to reflect current inventory and condition of property.



The museum specialist's and the enlisted aide's inventory records were neither current nor recorded the conditions of the property.

The former museum specialist and the USAFA Superintendent's enlisted aide were responsible for overseeing guest house furnishings purchased with monetary gifts, including pilferable items. The museum specialist's position description required that he maintain an inventory of the guest house furnishings, including pilferable items. To track guest house furnishings, he developed the Local Collection database in Microsoft Access to maintain an inventory of these items. The enlisted aide stated that she was also responsible for maintaining records of guest house furnishings and developed a Microsoft Excel spreadsheet to track and maintain an inventory of these items.

We compared the museum specialist's Local Collection database to the Enlisted Aide's inventory spreadsheet and found that the records did not match. We identified 104 items recorded in the former museum specialist's database that were not recorded on the enlisted aide's spreadsheet. In addition, 129 items that were recorded on the enlisted aide's spreadsheet were not recorded in the former museum specialist's database. The former museum specialist stated that he did not record all low-cost, expendable guest house furnishings in his Local Collection database, which may have contributed to the discrepancies in the inventory records. He stated that the enlisted aide might be recording the items; however, he believed it was unnecessary to do so. In addition, he was unable to maintain a current inventory because the enlisted aide rarely informed him of new purchases or changes in the inventory items. Furthermore, the former museum specialist stated that he was unable to conduct adequate semiannual inventories, as required by AFI 32-6004, "Furnishings Management," March 3, 2006. AFI 32-6004 states that pilferable items must be inventoried semiannually. The museum specialist explained that he could not conduct these inventories because the enlisted aide rarely granted him access to the guest houses, which he also felt contributed to the discrepancies.

During our interview, the enlisted aide stated that she was required to keep an inventory of only the guest house furnishings purchased with monetary gifts. In addition, the enlisted aide believed that a physical inventory of the guest house furnishings was required only when official guests visited. The enlisted aide stated that there had been no official guest visits since she assumed her position and therefore had not been required to perform a physical inventory. During our physical inventory walk-through of the guest houses, we observed that the enlisted aide had recorded some of the low-cost or expendable items, but not all, which may account for some of the inventory discrepancies. Furthermore, we found that the former museum specialist and the enlisted aide were sometimes recording items differently. For example, in one case, the museum specialist recorded a guest house furniture piece as a rustic iron occasional table. The same table was recorded by the

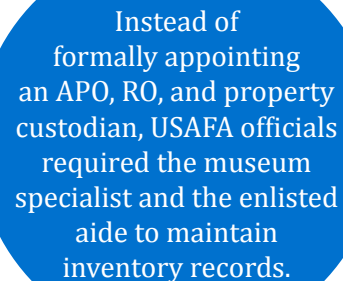
enlisted aide as a small glass and metal side table. Since each official recorded items using their own description rather than a standardized term, this created discrepancies in the inventory records. We determined that, based on the inaccuracies in each of the inventories and the lack of a recorded condition, adequate property records of the guest house furnishings did not exist. The USAFA Superintendent should conduct a physical inventory of the guest house furnishings, including pilferable items, to establish a baseline of guest house furnishings.

Lack of Appropriate Property Accountability Personnel and Standard Operating Procedures

The USAFA Superintendent did not appoint the appropriate property accountability personnel to manage, record, and inventory guest house furnishings including pilferable items. In addition, the USAFA Superintendent did not establish standard operating procedures to implement Air Force guidance for recording and inventorying guest house furnishings including pilferable items.

Lack of Appropriate Property Accountability Personnel

Instead of formally appointing an Accountable Property Officer (APO), Responsible Officer (RO), and property custodian, USAFA officials required the museum specialist and the enlisted aide to maintain inventory records of guest house furnishings as an additional duty. The museum specialist and the enlisted aide may not have been the appropriate persons to perform the property duties for the guest house furnishings.



Instead of formally appointing an APO, RO, and property custodian, USAFA officials required the museum specialist and the enlisted aide to maintain inventory records.

DoD Instruction 5000.64 and AFI 23-111 state that APOs and property custodians must be appointed or designated in writing. Each criterion requires the APO to maintain property records and financial records, and requires the property custodian to be responsible for the physical custody of accountable property under their control. In addition, AFI 23-111 requires that a RO be appointed in writing and to exercise custody, care, and safekeeping over property entrusted to his or her possession or under his or her supervision. Furthermore, DoD Instruction 5000.64 states that all persons entrusted with the management of Government property shall possess and continually demonstrate an appropriate level of competence and proficiency in property accountability and management. DoD Instruction 5000.64 also requires that all persons entrusted with

Government property are made aware of and understand their responsibilities, which includes proper care and stewardship, as well as potential legal ramifications for misuse or loss.

The museum specialist was using a personally created access database to maintain inventory records of the guest house furnishings, including pilferable items rather than an established accountable property system of record (APSR). DoD Instruction 5000.64 states that the heads of the DoD Components shall establish APSRs and ensure the integration with core financial and other systems and processes. The museum specialist's personally created access database did not interface with any other systems, and therefore may not have been the most appropriate tracking mechanism for guest house furnishings. Further, the former museum specialist disagreed with his responsibilities and stated that he was primarily hired as a museum specialist and was responsible for maintaining all of USAFA's heritage assets. The majority of his duties, as laid out in his position description, were to manage the historical artifacts and art collection. His role in overseeing the guest house furnishings was an additional duty and based on all of these factors, he was not the most appropriate person to perform the property duties for the guest house furnishings.

The enlisted aide, according to the USAFA Asset Management Division Chief, was the primary facility manager for the guest houses, and was required to follow the requirements listed in the USAFA Facility Management Handbook.¹⁹ The Facility Management Handbook states that the facility manager is responsible for the care, custody, and protection of a facility; personnel assigned in it; and associated real property. Facility managers are also responsible for maintaining a file for each facility in their custody to include all records pertaining to the facility. Based on the assigned duties of the enlisted aide, USAFA required her to perform duties of an RO and property custodian without formally designating her as an RO or property custodian in writing. The enlisted aide was also using a personally created Microsoft Excel spreadsheet to maintain inventory records of the guest house furnishings including pilferable items, rather than an APSR system, as required by DoD Instruction 5000.64. The enlisted aide's spreadsheet did not interface with any other systems, and therefore may not have been the most appropriate tracking mechanism for guest house furnishings. Based on the enlisted aide's duties and the lack of a formal APSR, the enlisted aide was not the correct person to be maintaining inventory records of the guest house furnishings.

¹⁹ The USAFA Asset Management Division Chief referred to the Customer Service Handbook as the Facility Management Handbook. The handbook was completed for USAFA through a contract with CH2MHill Academy Services, LLC.

While responsibilities were assigned to the former museum specialist and the enlisted aide for guest house furnishings, an appropriate APO, RO, and property custodian should have been appointed. The APO, RO, and property custodian should also have the appropriate level of competence and proficiency designated to manage guest house furnishings. As a result, without appropriate property accountability personnel appointed, USAFA increases its risk that guest house furnishings, including pilferable items, will be misused, lost, and stolen. The USAFA Superintendent should appoint an APO, RO, and Property Custodian to manage the guest house furnishings.

Lack of Standard Operating Procedures

The USAFA Superintendent did not establish SOPs to implement DoD and Air Force guidance for recording and inventorying guest house furnishings including pilferable items. Without SOPs, USAFA staff did not have guidance on how to properly account for guest house furnishings. In addition, the museum specialist and enlisted aide were maintaining separate and irreconcilable inventory records. As a result, no accurate inventory existed of the guest house furnishings, which made the items subject to misuse, loss, and theft. The USAFA Superintendent should establish standard operating procedures in accordance with DoD Instruction 5000.64, AFI 23-111, and AFI 32-6004 for managing guest house furnishings including pilferable items.

Management Actions Taken to Perform an Initial Inventory of Guest House Furnishings

USAFA officials stated that as of June 2013, an initial inventory of guest house furnishings, including pilferable items, was accomplished by the CMA Chief in coordination with the museum specialist and the enlisted aide. A comprehensive inventory will be conducted at the change of occupancy at the Carlton House.

Recommendations, Management Comments, and Our Responses²⁰

Recommendation C.1

We recommend that the U.S. Air Force Academy Superintendent:

- a. Conduct a physical inventory of the guest house furnishings, including pilferable items to establish a baseline of guest house furnishings.**

²⁰ In Finding B, we made an accountability recommendation for the USAFA Director of Communications to review, among other recommendations, the actions of the USAFA personnel responsible for not having adequate records for guest house furnishings. As a result of the overarching accountability recommendation in Finding B, we are not making a separate accountability recommendation in this finding.

Superintendent, U.S. Air Force Academy Comments

The Superintendent, USAFA, agreed, stating that an inventory of guest house furnishings, including pilferable items, was accomplished by the Chief, Development and Alumni Programs in coordination with the museum specialist and the enlisted aide. In addition, a comprehensive inventory of guest house furnishings was conducted in July 2013. The USAFA Superintendent advised that physical inventories will be conducted in accordance with Air Force guidance.

b. Appoint an accountable property officer for guest house furnishings.

Superintendent, U.S. Air Force Academy Comments

The Superintendent, USAFA, agreed, stating that an accountable property officer will be appointed in accordance with DoD and Air Force guidance. The appointments will be completed by September 30, 2013.

c. Appoint a responsible officer for guest house furnishings.

Superintendent, U.S. Air Force Academy Comments

The Superintendent, USAFA, agreed, stating that a responsible officer will be appointed for guest house furnishings. This appointment will be completed by September 30, 2013.

d. Appoint a property custodian for guest house furnishings.

Superintendent, U.S. Air Force Academy Comments

The Superintendent, USAFA, agreed, stating that a property custodian for guest house furnishings will be appointed. This appointment will be completed by September 30, 2013.

e. Establish standard operating procedures in accordance with DoD Instruction 5000.64, "Accountability and Management of DoD Equipment and Other Accountable Property," May 19, 2011; Air Force Instruction 23-111, "Management of Government Property in Possession of the Air Force," January 7, 2011; and Air Force Instruction 32-6004, "Furnishings Management," March 3, 2006, for managing guest house furnishings including pilferable items.

Superintendent, U.S. Air Force Academy Comments

The Superintendent, USAFA, agreed, stating that standard operating procedures will be developed by December 31, 2013.

Our Response

The USAFA Superintendent's comments were responsive and no further comments are required.

Finding D

USAFA Inappropriately Awarded Contracts

USAFA Development and Alumni Programs (CMA) officials inappropriately entered into seven contracts and issued two contract modifications using monetary gifts without proper authority. This occurred because USAFA CMA officials were unaware that the FAR and GAO criteria applied to gift fund contracts. In addition, USAFA criteria on the use of gift funds conflicts with GAO criteria. As a result, USAFA CMA officials created unauthorized contracting actions valued at approximately \$387,000.

USAFA Personnel Lacked Proper Authority to Sign Contracts

USAFA CMA officials inappropriately awarded seven contracts and issued two contract modifications using monetary gifts without proper authority.²¹ Specifically, CMA officials awarded and administered contracts and modifications without contract warrants and contracting authority as required by the FAR Subpart 1.601 (a), "Career Development, Contracting Authority, and Responsibilities."²² USAFA officials were unable to provide documentation showing that the individuals who authorized the contracts and modifications had authority to enter into these contracting actions.²³ FAR subpart 1.601 (a) specifically states that only contracting officers can enter into and sign Government contracts. Based on this FAR guidance, CMA officials should not have signed the gift fund contracts; instead, contracting officers should have signed and administered the contracts.



CMA officials awarded and administered contracts and modifications without contract warrants and contracting authority.

The contracting actions included two contracts and two modifications for social decorum,²⁴ a contract for scholarship of teaching and learning, a contract for a just-in-time teaching digital library, a contract for just-in-time teaching, and two contracts for the center for

²¹ Two additional modifications for contracts with gift funds were appropriately signed by a contracting officer.

²² The FAR also states that contracting officers may only bind the Government to the extent of the authority delegated to them.

²³ Contracting officers shall be appointed in writing on an SF 1402 Certificate of Appointment. An SF 1402 Certificate of Appointment is a warrant and provides the contracting officer with legal authority to sign contracts on behalf of the Government.

²⁴ Social decorum is the act of teaching cadets proper etiquette and the correct protocol for social and business situations as well as the skills needed to succeed in the U.S. Air Force and in life.

oral history. Table 1 below summarizes the seven contracts and two modifications that were inappropriately awarded by CMA officials.

Table 1. Gift Fund Contracts Inappropriately Awarded

| Contract and Modification | Performance Periods | Contract Amount | Not-To-Exceed Amount |
|--|---------------------|------------------|----------------------|
| Social Decorum 2 (Continuation of Social Decorum Contract 1) | 10/2009-9/2010 | \$83,879 | \$200,000 |
| Modification 3 | 7/2011-12/2011 | 14,890 | 50,000 |
| Subtotal | | \$98,769 | |
| Social Decorum 3 | 4/2011-6/2011 | 7,898 | 12,000 |
| Modification 1 | 7/2011-12/2011 | 11,565 | 35,000 |
| Subtotal | | \$19,463 | |
| Scholarship of Teaching and Learning | 3/2009-3/2012 | 105,625 | 200,000 |
| Just-in-Time Teaching Digital Library | 3/2009-3/2012 | 73,670 | 200,000 |
| Just-in-Time Teaching | 3/2010-4/2012 | 3,864 | 48,000 |
| Oral History 1 | 6/2010-6/2011 | 68,208 | 113,400 |
| Oral History 2 (Continuation with Oral History 1 contractor) | 6/2011-6/2012 | 17,376 | 113,400 |
| Total | | \$386,975 | |

Source: United States Air Force Academy

Air Force Policy Conflicts with Federal Guidelines

CMA officials signed contracts and modifications themselves because they thought they were in compliance with gift fund criteria. Specifically, they believed that because USAFAI 51-601 states that gift funds are neither appropriated nor nonappropriated funds, the rules for appropriated fund contracting in the FAR were not applicable to the contracts that they were administering. While the FAR guidance does not state gift funds are appropriated funds, GAO Office of the General Counsel, “Principles of Federal Appropriations Law,” 3rd edition, volume II, February 2006, states “gift funds constitute appropriated funds unless Congress provides otherwise.” Therefore, USAFAI 51-601 conflicts with GAO guidance. While GAO guidance and opinions are not binding on DoD, the GAO guidance provides persuasive guidelines for classifying gift funds as appropriated funds. USAFAI 51-601 guides the management and use of gift funds and references this same GAO guidance as the basis for requiring the superintendent and his designated leaders to determine whether the expenditure of gift funds is necessary to further a USAFA

purpose. Because USAFA officials used the GAO guidance to develop internal controls for the expenditure of gift funds, we concluded that USAFA should have consistently applied the GAO guidance and treated gift funds as appropriated funds, unless Congress provides otherwise. FAR Subpart 1.1, "Purpose, Authority, Issuance," provides uniform policies and procedures for acquisition through the use of appropriated funds by all executive agencies. Therefore, the FAR, guides contracting with gift funds based on GAO's determination that gift funds constitute appropriated funds.

The USAFA Director of Staff, Commandant of Cadets, stated that during recent efforts to solicit for gift fund contracts, the 10th Contracting Squadron did not think they should sign a gift fund contract because they believed that their warrants limited them to awarding and administering appropriated fund contracts. As discussed above, USAFAI 51-601 contradicts GAO guidance. Despite the unclear and contradictory guidance, USAFA's Judge Advocate General recently advised the contracting office that their warrants covered all Government funds. The contracting officers' warrants are issued in conformance with the FAR, which applies to appropriated funds. Therefore, based on the determination that the warrants cover gift funds and are bound by the requirements in the FAR, the funds should be considered appropriated funds. The USAFA CMA Chief should revise USAFAI 51-601, to state that gift funds constitute appropriated funds unless Congress provides otherwise, and the FAR is the applicable guidance for contracting with gift funds. This revision should also remove the language that gift funds are neither appropriated nor nonappropriated funds.

As a result of the conflicting criteria, CMA officials created unauthorized contracting actions or unauthorized commitments²⁵ totaling \$386,975 for the Government. The Government can, if appropriate, ratify the contracts. FAR 1.602-3 defines ratification as the "act of approving an unauthorized commitment by an official who has authority to do so." In June 2013, USAFA officials reported that the 10th Contracting Squadron conducted an analysis of these contracting efforts in February 2013, and determined that the services were provided and accepted for a Government bona fide need and the prices paid were fair and reasonable. To ensure that the contracts are in compliance with the FAR, the 10th Contracting Squadron Director or a properly warranted contracting officer should ratify the contracts and modifications signed by CMA officials.

²⁵ An unauthorized commitment is an agreement that is not binding solely because the Government representative who initiated it lacked the authority to enter into that agreement on behalf of the Government.

Management Actions Underway to Properly Award and Administer Contracts

USAFA's Staff Judge Advocate Chief advised the 10th Contracting Squadron, in January 2012, that they were authorized to award and administer contracts that used gift funds. Based on our audit results, CMA officials are working in coordination with the 10th Contracting Squadron to oversee gift fund contracts. Specifically, the 10th Contracting Squadron will award and sign the contracts. An appropriate contract official signed and administered the FY 2012 "Social Decorum" contract.

Recommendations, Management Comments, and Our Responses²⁶

Recommendation D.1

We recommend the USAFA, Development and Alumni Programs Chief revise USAFA Instruction 51-601, "USAF Academy Management and Use of Gift Funds," January 5, 2011, to state that gift funds constitute appropriated funds unless Congress provides otherwise, and the Federal Acquisition Regulation is the applicable guidance for contracting with gift funds. This revision should also remove the language that gift funds are neither appropriated nor nonappropriated funds.

Chief, Development and Alumni Programs, U.S. Air Force Academy Comments

The Superintendent, USAFA, responding for the Development and Alumni Programs Chief, agreed, stating that personnel will revise USAFAI 51-601, "USAF Academy Management and Use of Gift Funds," January 5, 2011, to clarify that gift funds are appropriated funds. In addition, USAFAI 51-601 will be revised to clarify the applicability of the FAR when contracting with gift funds. USAFAI 51-601 will be revised by December 31, 2013.

Our Response

The USAFA Superintendent's comments were responsive and no additional comments are required.

²⁶ In Finding B, we made an accountability recommendation for the USAFA Director of Communications to review, among other recommendations, the actions of the USAFA personnel responsible for inappropriately awarding contracts using monetary gifts. As a result of the overarching accountability recommendation in Finding B, we are not making a separate accountability recommendation in this finding.

Recommendation D.2

We recommend that the USAFA 10th Contracting Squadron Director or a properly warranted contracting officer ratify the contracts and modifications signed by Development and Alumni Program officials.

***Director, 10th Contracting Squadron, U.S. Air Force Academy
Comments***

The Superintendent, USAFA, responding for the Director, 10th Contracting Squadron, agreed, stating that the 10th Contracting Squadron analyzed these contracting efforts and they determined that the services were provided and accepted for a bona fide need and the prices paid were fair and reasonable. A legal review of each contract will be conducted and ratification documentation will be included in each file. The review and any necessary ratification documentation will be completed by December 31, 2013.

Our Response

The USAFA Superintendent's comments were responsive and no additional comments are required.

Finding E

NAFIs Inappropriately Solicited, Accepted, Recorded, and Reported Monetary Gifts

AFAAA personnel inappropriately solicited, accepted, recorded, and reported over \$532,000 in monetary gifts. In exchange for these gifts, AFAAA provided donors football tickets, access to reserved parking lots, pre-game buffets, press box privileges, and commemorative gifts. In addition, even if AFAAA was appropriately accepting such gifts, accounting personnel did not differentiate between the value of the benefits given to the donor and the actual charitable contribution. This occurred because AFAAA personnel were not familiar with DoD and Air Force requirements prohibiting the solicitation of gifts. In addition, the NAF Accounting Director stated that AFAAA accounting staff lacked training and experience necessary to accurately record and report the donations. As a result, the public may perceive that AFAAA gives donors special favors and privileges in return for monetary gifts. More importantly, AFAAA may give the appearance that it has compromised its integrity by soliciting donations and providing benefits. Furthermore, AFAAA personnel overstated its monetary gift revenue in FY 2011 by over \$532,000 because DoD and Air Force guidance prohibits the acceptance of solicited gifts.

Blue and Silver Club

The Blue and Silver Club is an Air Force football premium seating ticket program. Donors give AFAAA money to join the Blue and Silver Club, and in return receive benefits such as football tickets, access to reserved parking, pre-game buffets, press box privileges, and commemorative gifts. The Blue and Silver Club's membership consists of three categories: Superintendent's Club, Four-Star Club, and the Commander in Chief's Club. The prices for these membership levels range from \$700 to \$7,000. For example, one Blue and Silver Club member contributed \$7,000 and received \$1,800 worth of football tickets, reserved parking lot access, pre-game buffets, press box privileges, and commemorative gifts. See Appendix E for the list of the benefits received for each of the three Blue and Silver Club membership levels.

AFAAA Inappropriately Solicited and Accepted Monetary Gifts

In FY 2011, AFAAA personnel inappropriately solicited and accepted over \$532,000 in monetary gifts for the Blue and Silver Club. In addition, in exchange for the monetary gifts,

AFAAA improperly provided donors with items such as season football tickets and other benefits. AFAAA used contractor personnel to solicit²⁷ monetary gifts for the Blue and Silver Club. Specifically, AFAAA contract personnel prepared and published marketing materials that promoted the Blue and Silver Club.²⁸ The marketing materials identified the price for each membership level and informed prospective donors that the payment was “tax deductible to the extent permitted by law.” DoD and Air Force requirements restrict AFAAA personnel from soliciting gifts and giving donors special favors or privileges. Specifically, DoD FMR, volume 12, chapter 30, “Operation and Use of General Gift Funds,” states that DoD personnel should not solicit, fundraise for, or otherwise request or encourage the offer of a gift. FMR Chapter 30 also states that Acceptance Authorities should not accept gifts offered contrary to this policy. AFI 34-201 USAFA Supplement, “Use of Nonappropriated Funds (NAFS),” May 7, 2010, states that USAFA NAFIs should not solicit contributions and monetary gifts, and should not grant the donors any special favors or privileges.

AFAAA personnel inappropriately solicited and accepted monetary gifts because they were not familiar with DoD and Air Force requirements related to the solicitation and acceptance of gifts. As a result, AFAAA may give the public the impression that donors receive special favors and privileges in exchange for monetary gifts and may give the appearance that it has compromised the integrity of USAFA. The USAFA Superintendent should require AFAAA personnel to cease soliciting and giving donors benefits in exchange for monetary gifts. In addition, the USAFA Superintendent should require AFAAA personnel to establish and implement a plan for recurring training on soliciting and accepting monetary gifts.

AFAAA Incorrectly Recorded and Reported Gifts

AFAAA incorrectly recorded and reported over \$532,000 in monetary gifts made to the Blue and Silver Club. Even if AFAAA was appropriately accepting such gifts, accounting personnel did not differentiate between the value of the benefits given to the donor and the actual charitable contribution. Therefore, the value of the benefits received by Blue and Silver Club members was incorrectly reported as part of the monetary gift. Benefits

²⁷ 5 CFR sec. 2635.303 (2012) defines a solicitation as a request for a contribution through personal communication or by general announcement.

²⁸ AFAAA entered into two contracts to hire two individuals to assist the Department of Athletics. The contractors’ responsibilities included promoting the Blue and Silver Club, executing partnership agreements, pursuing corporate sales, and planning broadcasting appearances, among other things. For FY 2011 the total value of these contracts was \$238,309. The amounts for the different services under this contract were not separately stated. As a result, the amount that AFAAA spent to solicit the donations cannot be determined.

include football tickets, access to reserved parking lots, pre-game buffets, press box privileges, and commemorative gifts.

We selected a nonstatistical sample of six monetary gifts, which represented \$30,100 of \$532,000 that AFAAA received in FY 2011 for the Blue and Silver Club. We reviewed each monetary gift and traced it to the applicable records to determine whether NAF accounting personnel properly recorded and reported the monetary gift. We found that NAF accounting personnel did not differentiate between the value of the benefits given to the donor and the actual charitable contribution. According to AFAAA records, one Blue and Silver Club member donated \$4,800 and received \$1,800 worth of benefits²⁹ in exchange for the monetary gift. The benefits included football tickets, access to reserved parking lots, pre-game buffets, press box privileges, and commemorative gifts. Therefore, for this gift, NAF accounting personnel should have recorded \$1,800 as revenue for the sale of football tickets, reserved parking lot access, pre-game buffets, press box privileges, and commemorative gifts, and \$3,000 as a monetary gift. However, AFAAA accounting personnel recorded and reported the entire payment of \$4,800 as a monetary gift. Since AFAAA recorded and reported the entire amount as a monetary gift, it overstated its monetary gift revenue. Table 2 shows the total payment, the value of the benefit received, and the value of the charitable contribution for each of the six monetary gifts that we reviewed.

One Blue and Silver Club member donated \$4,800 and received \$1,800 worth of benefits in exchange for the monetary gift.

Table 2. Blue and Silver Club Transaction Benefits and Gifts

| Sample Number | Total Payment | Value of Benefits Received | Value of Charitable Contribution |
|---------------|-----------------|----------------------------|----------------------------------|
| 1 | \$2,800 | \$1,800 | \$1,000 |
| 2 | 3,500 | 900 | 2,600 |
| 3 | 4,800 | 1,800 | 3,000 |
| 4 | 4,800 | 1,800 | 3,000 |
| 5 | 7,000 | 1,800 | 5,200 |
| 6 | 7,200 | 2,700 | 4,500 |
| Total | \$30,100 | \$10,800 | \$19,300 |

²⁹ AFAAA determines the fair market value of these benefits.

Financial Accounting Standards Advisory Board, Statement of Federal Financial Accounting Concept (SFFAC) No. 2, "Entity and Display," April 20, 1995, states that gifts are monies and materials given by private persons and organizations to the Government without receiving anything in exchange. Therefore, the value of the football tickets, reserved parking lot access, pre-game buffets, press box privileges, and commemorative gifts the Blue and Silver Club members received does not meet the definition of a gift. Because AFAAA provided these to the donor in exchange for a payment, their value should have been classified as revenue to the AFAAA. NAF accounting personnel for AFAAA should have recorded and reported \$19,300 as a monetary gift rather than the \$30,100 that they recorded.

The NAF Accounting Director stated that the accounting staff did not separately record the benefits the Blue and Silver Club members received as revenue from football ticket and parking lot sales. The NAF Accounting Director stated this occurred because the accounting staff lacked the training and experience necessary to properly record and report monetary gifts. As a result, AFAAA overstated their monetary gift revenue for FY 2011 by at least \$10,800 for the six monetary gifts reviewed. The USAFA Superintendent should require NAF accounting personnel to establish and implement a plan for recurring training on recording and reporting monetary gifts.

Recommendations, Management Comments, and Our Responses

Recommendation E.1

We recommend that the U.S. Air Force Academy Superintendent:

- a. Require Air Force Academy Athletic Association personnel to:**
 - (1) Cease soliciting and giving donors benefits in exchange for monetary gifts.**
 - (2) Establish and implement a plan for recurring training on soliciting and accepting monetary gifts.**

Superintendent, U.S. Air Force Academy Comments

The Superintendent, USAFA, agreed with the intent of the recommendation stating that on July 1, 2013, the AFAAA was converted into a nonprofit organization, which now runs the Blue and Silver program and other former AFAAA revenue generating functions. The USAFA Superintendent stated that this restructuring minimizes risk and the type

of solicitations identified in this audit. The USAFA Superintendent also stated that the nonprofit organization will comply with all laws, regulations, and requirements. The nonprofit organization will be evaluated through required Government audits. The conversion to the nonprofit organization was completed in July 2013.

- b. Require Nonappropriated Fund accounting personnel to establish and implement a plan for recurring training on recording and reporting monetary gifts.**

Superintendent, U.S. Air Force Academy Comments

The Superintendent, USAFA, agreed with the intent of the recommendation stating that on July 1, 2013, the AFAAA was converted into a nonprofit organization, which now runs the Blue and Silver program and other former AFAAA revenue generating functions. This conversion eliminates the need for a reoccurring training plan because AFAAA is no longer accepting gifts. The nonprofit will comply with all laws, regulations, and requirements. The nonprofit organization will be evaluated through required Government audits. The conversion to a nonprofit organization was completed in July 2013.

Our Response

The USAFA Superintendent's comments were responsive and no additional comments are required.

Finding F

Nonmonetary Gifts of Services for Academic Chairs Were Not Reported

USAFA adequately accepted, recorded, and reported all 21 nonmonetary gifts received in FY 2011. In addition, the USAFA CMA appropriately transferred five of six³⁰ nonmonetary gifts of services received through volunteer gratuitous service agreements to the Air Force General Counsel for review and acceptance. However, neither USAFA nor the general counsel reported these nonmonetary gifts of services to DFAS. This occurred because, while the DoD FMR, volume 12, chapter 30, "Operation and Use of General Gift Funds," requires the general counsel to report such gifts, the general counsel believed USAFA was responsible for reporting these gifts since USAFA benefited from these gifts. USAFA officials stated they did not report these six gifts because they were not the authorizing authority. In addition, the DoD FMR did not clearly require entities to report nonmonetary gifts of services, specifically, those received through volunteer gratuitous service agreements to DFAS. As a result, neither USAFA nor the general counsel reported at least \$596,506 worth of nonmonetary gifts of services to DFAS.

USAFA Properly Accepted, Recorded, and Reported Nonmonetary Gifts³¹

We reviewed all 21 nonmonetary gifts that USAFA received in FY 2011 and found that USAFA personnel accepted the nonmonetary gifts in accordance with AFI 51-601, "Gifts to the Department of the Air Force," November 26, 2003. Specifically, we determined that acceptance letters and staff summary sheets existed for all 21 nonmonetary gifts.³² In addition, we traced all 21 nonmonetary gifts to the nonmonetary gift log spreadsheet and verified that USAFA personnel properly recorded each gift. USAFA also reported the 21 nonmonetary gifts to the applicable office of primary responsibility.

³⁰ Neither the general counsel nor USAFA provided the acceptance package for the Erdle Chair. Because USAFA completed staff summary sheets and forwarded the five remaining packages, we concluded that USAFA had controls in place for transferring gifts of academic chairs to the general counsel for acceptance.

³¹ This finding does not include our review of controls over nonmonetary gifts of heritage assets. Finding B details our review of controls over nonmonetary gifts of heritage assets.

³² Staff summary sheets are generally used to summarize staff work, to request action, or to forward information.

USAFA Properly Transferred Nonmonetary Gifts of Services for Academic Chairs

USAFA CMA appropriately transferred nonmonetary gifts of services tendered through volunteer gratuitous service agreements to the Air Force General Counsel for review and acceptance. USAFA used these agreements for academic chairs, which are distinguished visiting professors paid for by a nonprofit organization. AFI 51-601 states that gifts to fund endowments, academic chairs, or to support visiting professors or other similar individuals providing instruction to cadets must be approved by the Secretary of the Air Force or their designee. As requested by the Secretary of the Air Force's designated official, the Air Force General Counsel, USAFA completed staff summary sheets and forwarded five of six gifts of service for academic chairs through volunteer gratuitous service agreements from one nonprofit organization to the general counsel for acceptance. The Academic Research and Development Institute³³ offers the services of these professors to USAFA. The Academic Research and Development Institute is responsible for compensating these professors.

Nonmonetary Gifts of Services for Academic Chairs Not Reported to DFAS

The Air Force General Counsel, designated as the acceptance authority of academic chairs received by USAFA, did not report nonmonetary gifts of services totaling \$489,006³⁴ and accepted through volunteer gratuitous service agreements to DFAS as required by DoD FMR, volume 12, chapter 30. We confirmed these amounts by reviewing the Academy Research and Development Institute tax return and obtaining clarification from Academy Research and Development Institute officials. This analysis showed that they contributed a total of \$596,506 for six academic chairs for the benefit of USAFA. Therefore, at least \$596,506 in nonmonetary gifts of services was not reported to DFAS and not included on the DoD agency-wide or Air Force financial statements. Table 3 shows a detailed breakdown of the academic chair, the purpose of the services provided, and the associated cost of those services.

³³ The Academy Research and Development Institute is a nonprofit organization that fosters academic excellence at USAFA. It provides an avenue for educational grants and the endowment of academic department chairs.

³⁴ USAFA did not report to the Air Force General Counsel \$107,500 in services for the Erdle chair. Therefore, the general counsel did not report this gift to DFAS.

Table 3. Contributions to Fund Academic Chairs that Were Not Reported to DFAS

| Academic Chair | Purpose | Nonprofit Cost |
|---|--|------------------|
| Ambassador Holland H. Coors Endowed Chair | Education Technology | \$118,337 |
| Brigadier General Philip J. Erdle Endowed Chair | Engineering Science | 107,500 |
| Schriever Chair | Space Systems Engineering | 101,448 |
| Anders Chair | Economics of the Defense Industrial Base | 93,084 |
| Coleman/Richardson Chair | Computer Science | 88,638 |
| Lyon Chair | Professional Ethics | 87,499 |
| Total | | \$596,506 |

Source: Academy Research and Development Institute

DoD FMR, volume 12, chapter 30, states gifts include devises or bequests, and money, real property, personal property, or services. FMR Chapter 30 also states that the acceptance authorities shall report the information in Table 4 to DFAS. The reporting requirement applies to all monetary, real property, and personal property gifts with a unit value of \$5,000 or more. FMR Chapter 30 requires the reporting to DFAS no later than 10 days after the end of each quarter.

Table 4. DFAS Quarterly Reports

| | |
|----|--|
| 1. | A description of the gift. |
| 2. | The value of the gift (estimated value if nonmonetary) to include the valuation method used. |
| 3. | The name and address of the donor(s). |
| 4. | The date each gift was received. |
| 5. | The expected useful life of the gift (the length of time in which a depreciable asset is expected to be used). |
| 6. | Details of any conditions, restrictions, or other relevant specific information regarding each gift. |
| 7. | If applicable, a unique identifier or data element used to track the same or similar nonmonetary items received or shipped from different sources. |
| 8. | Statement explaining the benefits of accepting the gift. |
| 9. | The authority under which the gift was accepted. |

Source: DoD FMR, volume 12, chapter 30

Although DoD FMR volume 12, chapter 30 considers services to be a type of gift, it does not clearly require entities to report nonmonetary gifts of services, specifically those gifts received through volunteer gratuitous service agreements and used to fund academic

chairs. However, it is not clear why acceptance authorities would be required to report the value of monetary and real or personal property gifts to DFAS, but not gifts of services and their value, specifically those accepted through volunteer gratuitous service agreements and used to fund academic chairs. The Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, should revise the DoD FMR volume 12, chapter 30, to provide guidance and instruction to acceptance authorities on reporting for nonmonetary gifts of services to include guidance for those gifts received through volunteer gratuitous service agreements.

General counsel officials stated that since USAFA was receiving the gift, they were responsible for reporting the necessary information to DFAS. However, USAFA officials stated that they did not report the gifts of academic chairs to DFAS because USAFAI 51-601 does not delegate USAFA this authority and the general counsel had not previously delegated USAFA this reporting responsibility. The USAFA CMA Chief should coordinate with the Air Force General Counsel to develop a plan to ensure that gifts used to fund endowments, academic chairs, or to support visiting professors or other similar individuals providing instruction to cadets are reported, as appropriately determined by the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, on a quarterly basis to DFAS. The USAFA CMA Chief should coordinate with the Air Force General Counsel to report the six nonmonetary gifts of services, valued at \$596,506, to DFAS, if determined appropriate by the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD.

Recommendations, Management Comments, and Our Responses

Recommendation F.1

We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, revise the DoD Regulation 7000.14-R, “Financial Management Regulation,” volume 12, chapter 30, “Operation and Use of General Gift Funds,” to provide guidance and instruction to acceptance authorities on reporting for nonmonetary gifts of services to include guidance for those gifts received through volunteer gratuitous service agreements.

Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD Comments

The Deputy Chief Financial Officer, responding for the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, agreed, stating that the DoD FMR

volume 12, chapter 30, "Operation and Use of General Gift Funds," will be revised to clarify the reporting requirement for nonmonetary gifts. Specifically, nonmonetary gifts of services, which include volunteer gratuitous service agreements, will be added to the reporting requirement in the next scheduled update.

Our Response

The OUSD(C)/CFO comments were responsive and no additional comments are required.

Recommendation F.2

We recommend that the USAFA Development and Alumni Programs (CMA) Chief coordinate with the Air Force General Counsel to:

- a. Develop a plan to ensure that gifts used to fund endowments, academic chairs, or to support visiting professors or other similar individuals providing instruction to cadets are reported, as appropriately determined by the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, on a quarterly basis to Defense Finance and Accounting Service.**
- b. Report the six nonmonetary gifts of services, valued at \$596,506, to the Defense Finance and Accounting Service, if determined appropriate by the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD.**

Chief, Development and Alumni Programs, U.S. Air Force Academy Comments

The Superintendent, USAFA, responding for the CMA Chief, agreed, stating that USAFA is awaiting guidance from the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, on how to report gifts of services to Defense Finance and Accounting Service. USAFA will develop a plan to report all future gifts to fund academic endowments and the six monetary gifts of services, valued at \$596,506, to the Defense Finance and Accounting Service in accordance with this guidance. The new guidance will be implemented by December 31, 2013.

Our Response

The USAFA Superintendent's comments were responsive and no additional comments are required.

Appendix A

Scope and Methodology

We conducted this performance audit from August 2011 through July 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. While some of the data in the report is from 2011, the audit team verified that other than the corrective management actions discussed in the findings of the report, control deficiencies still existed as of July 2013.

We reviewed the controls at USAFA for accepting, recording, and reporting gifts. Specifically, we reviewed the controls and processes for accepting, recording, and reporting monetary gifts, nonmonetary gifts (in-kind gifts), and nonmonetary gifts of heritage assets.

Monetary Gifts. We interviewed USAFA officials and reviewed applicable criteria including AFI 51-601, AFI 51-601 USAFA Supplement, and USAFAI 51-601 to identify the processes that should be used by USAFA officials for accepting, recording, and reporting monetary gifts. We then developed checklists to use in testing to determine whether USAFA complied with Air Force criteria. We obtained a Microsoft Excel spreadsheet from USAFA CMA that listed 184 monetary gifts totaling \$3.9 million that USAFA received in FY 2011. We selected a nonstatistical sample of 25 monetary gifts totaling \$3.1 million using a random number generator. We obtained supporting documentation, including acceptance letters and staff summary sheets for the sampled items to determine whether USAFA properly accepted these monetary gifts. To determine whether these gifts were properly recorded, we traced the 25 monetary gifts to the gift accounts. We obtained DD Forms 1131, "Cash Collection Voucher," to determine whether USAFA personnel properly reported the monetary gifts to the appropriate U.S. Treasury account and notified DFAS of the monetary gift.

Nonmonetary Gifts. We interviewed USAFA officials to identify the processes in place for accepting, recording, and reporting nonmonetary gifts. Additionally, we reviewed the requirements established within AFI 51-601 for processing nonmonetary gifts. We obtained an Adobe PDF file that listed 21 nonmonetary gifts totaling \$946,775 that USAFA received in FY 2011. To

determine whether the 21 nonmonetary gifts were properly accepted, we obtained and reviewed acceptance letters and staff summary sheets for each nonmonetary gift. To determine whether the gifts were properly recorded, we conducted interviews with the applicable office of primary responsibility staff. To determine whether these items were properly reported, we conducted interviews with the applicable office of primary responsibility staff to verify that the gifts were properly reported to them.

Nonmonetary Gifts of Heritage Assets. The universe of heritage assets consisted of approximately 5,000 assets in FY 2011. We selected a nonstatistical sample of 25 heritage assets from the USAFA Local Heritage Collection database to test whether USAFA personnel accepted, recorded, reported, and conserved these assets in accordance with AFI 84-103. We met with USAFA's former museum specialist to identify the processes in place for accepting, recording, and reporting heritage assets.

We reviewed AFI 51-601 and AFI 84-103 to identify the requirements for accepting heritage assets. In order to test whether the former museum specialist had authority to accept heritage assets, we interviewed USAFA personnel and requested delegation of authority documentation. To determine whether USAFA properly accepted heritage assets, we requested required acceptance documentation, including AF Form 3571 or DD Form 1149 for each heritage asset.

To determine whether USAFA officials properly recorded and reported heritage assets, we requested copies of the accession register, traced the assets to AFMATS, and conducted physical inventories of all 25 heritage assets. We compared our observations during the physical inventory to the inventory records to determine whether a complete accession number was listed, photographs were on file, and the location was properly recorded. Additionally, to determine whether USAFA properly reported heritage assets, we met with USAFA officials to determine whether required inventories of heritage assets were performed and reported to NMUSAF as required by AFI 84-103. Furthermore, we physically observed all 25 heritage assets to determine if they were adequately protected against agents of deterioration, destruction, and theft.

We also reviewed the controls at USAFA for disbursing monetary gifts.

Monetary Gifts. We conducted interviews and reviewed applicable criteria, including USAFAI 51-601, to identify the processes USAFA CMA officials used to disburse monetary gifts. CMA disbursed \$6.5 million in monetary gifts during FY 2011. We reviewed whether USAFA properly used \$5,000,000 of \$6,505,600 disbursed during FY 2011. Specifically, we obtained donor documentation and compared the donors' intent to the information reported in the SF 1034, "Public Voucher for Purchase and Services Other Than Personal."

In addition, we reviewed and analyzed USAFA controls over contracts and purchases using gift funds to determine whether they were in accordance with GAO and FAR criteria, as applicable, DoDI 5000.64, AFI 23-111, AFI 32-6004, and USAFAI 51-601.

Contracts Using Gift Funds. We reviewed the entire universe of active FY 2011 contracts that used gift funds, which was comprised of seven contracts and four modifications. Total disbursements under the seven contracts and four modifications were \$457,805. We obtained and reviewed the contracts and modifications to determine whether an appropriate USAFA contracting officer signed these seven contracts and four modifications as required by the FAR.

Purchase of Furnishings Using Gift Funds. We reviewed both the enlisted aide and the former museum specialist's inventory listing of guest house furnishings as of January 2012. We compared the former museum specialists Local Collection database (Microsoft Access) to the enlisted aide's Microsoft Excel spreadsheet of guest house furnishings to determine whether there were any discrepancies between the two listings. We also conducted physical inventories and compared our observations to the information recorded in the inventories maintained by the former museum specialist and the enlisted aide to determine the accuracy of the inventories.

We reviewed the controls at USAFA NAFIs for accepting, recording and reporting gifts. Specifically, we determined whether NAFIs accepted, recorded, and reported monetary and nonmonetary gifts in accordance with the DoD FMR and AFI 34-201 USAFA Supplement. In addition, we assessed whether NAFIs recorded and reported monetary and nonmonetary gifts in accordance with SFAC No. 2 and SFAS No. 116.

Monetary Gifts. We reviewed and analyzed an Adobe PDF file provided by USAFA officials that contained data from the Services Agency Information System (SAIS) of monetary gifts that the AFAAA Blue and Silver Club received during FY 2011. In FY 2011, AFAAA reported in SAIS that the Blue and Silver Club received over \$532,000 in monetary gifts. We selected and reviewed a nonstatistical sample of six Blue and Silver Club transactions with the highest dollar value in May 2011; the month with the largest amount of monetary gifts received in FY 2011, totaling over \$109,000 in monetary gifts. We reviewed the 5 CFR sec. 2635.303, SFFAC No. 2, DoD FMR, and AFI USAFA Supplement 34-201 to identify criteria for accepting, recording, and reporting monetary gifts. We reviewed the Blue and Silver Club brochure, the terms of the contracts, and thank you letters to determine whether AFAAA personnel actions complied with the DoD FMR volume 12, chapter 30, and AFI USAFA Supplement 34-201 requirements related to soliciting and accepting monetary gifts. To determine whether the gifts were properly recorded and reported, and NAF accounting personnel properly differentiated between the value of the AFAAA benefits given to the donor and the actual monetary gift, we requested and reviewed journal entries in SAIS and the thank you letters, and compared them to the requirements established in SFFAC No. 2.

Nonmonetary Gifts. We reviewed one FY 2011 nonmonetary gift that the MWR Fund received to determine whether it was properly accepted, recorded, and reported in compliance with SFAS 116 and AFI 34-201 USAFA Supplement. Specifically, we reviewed and analyzed the donor's gift offer letter and USAFA's acceptance letter to determine whether the nonmonetary gift was properly accepted in accordance with AFI 34-201 USAFA Supplement. In addition, we interviewed the NAF accounting personnel to determine how they recorded and reported this transaction. We compared these processes to SFAS 116 to determine whether the nonmonetary gift was accurately recorded and reported.

We reviewed the NAF contracting procedures at USAFA for contracts funded with NAFs. We requested a list of all NAF contracts that the 10th Contracting Squadron and the 10th Force Support Squadron contracting officers awarded during fiscal year 2011. The 10th Force Support Squadron provided a Microsoft Excel spreadsheet and four Adobe PDF files. These documents showed that during FY 2011, there were 401 NAFI contracting actions with a total value of approximately \$7.1 million. We selected a nonstatistical sample of 36 contracting actions valued at approximately \$3.8 million. Specifically, we selected the 22 contracting actions with the highest value, valued at

\$3.6 million. In addition, we used a random number generator to select 14 contracting actions below \$50,000, valued at \$195,096. We reviewed these 36 contracting actions to determine whether a contracting officer signed the contract and obtained competitive bids or provided a sole-source justification. In addition, we tested whether these contracts included the NAFI clauses required by AFMAN 64-302.

We reviewed USAFA supporting nonprofit organizations' tax returns to determine whether the amount of monetary and nonmonetary gifts they gave to USAFA matched USAFA's records.

Monetary Gifts. We calculated the total amount of monetary gifts that USAFA's six supporting nonprofit organizations donated from July 1, 2009 to December 31, 2010. We obtained this information from the nonprofit organizations' tax returns, and then compared the nonprofit organizations' total monetary gifts of approximately \$5.9 million to what USAFA recorded and reported in its receipt logs during the same period. We conducted this comparison to determine whether USAFA properly recorded and reported the gift amounts.

Nonmonetary Gifts. We reviewed USAFA's supporting nonprofit organization 2010 tax return to identify nonmonetary transfers to USAFA. We identified one nonprofit organization that provided nonmonetary gift of services to USAFA. We reviewed the nonmonetary gift of services to determine whether USAFA properly accepted, recorded, and reported these nonmonetary gifts of service in accordance with the DoD FMR.

Use of Computer-Processed Data

We did not use computer-processed data to perform this audit.

Use of Technical Assistance

The DoD Office of Inspector General Quantitative Methods Division assisted in selecting a sample of monetary gifts.

Prior Coverage on Gift Policy and Procedures

During the last 5 years, the Government Accountability Office (GAO), Department of Defense Inspector General (DoD IG), Naval Inspector General, the Commander, Navy Installations Command, and the Air Force Audit Agency have issued six reports

discussing proper gifts and NAF procedures, NAFI operations, and contracting practices. Unrestricted GAO reports can be accessed over the Internet at <http://www.gao.gov>. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/pubs/index.cfm>. Air Force Audit Agency reports can be accessed from .mil domains over the Internet at <https://afkm.wpafb.af.mil/ASPs/CoP/OpenCoP.asp?Filter=OO-AD-01-41> by personnel with Common Access Cards. Naval Inspector General and the Commander, Navy Installation Command reports are not available over the internet.

GAO

GAO Report No. GAO-09-486R, "Financial Management: DOD Needs to Clarify Its General Gift Fund Policies to Provide for Effective Oversight," May 27, 2009

DoD IG

DoD OIG Report No. DODIG-2012-017, "U.S. Naval Academy Officials Did Not Adhere to Contracting and Gift Policies," November 7, 2011

DoD OIG Report No. DODIG-2010-081, "Army Use of Time-and-Materials Contracts in Southwest Asia," August 27, 2010

Navy Inspector General

Naval Inspector General Report, "Senior Official Case 200801937; Alleged Misuse of Gift Funds and Nonappropriated Funds (NAF)," November 17, 2009

Commander, Navy Installations Command

Commander, Navy Installation Command, "Fiscal Oversight Review of the United States Naval Academy Non-Appropriated Fund Instrumentality," April 9, 2010

Air Force

Air Force Audit Agency Report No. F2011-0012-FBM000, "Follow-up Audit Intercollegiate Athletic Program Revenues and Expenditures Internal Control Review Air Force Academy Athletic Association United States Air Force Academy CO," November 22, 2010

Appendix B

NAFIs and Nonprofit Organizations Supporting USAFA

Nonappropriated Fund Instrumentalities

NAFIs are integral DoD organizations and fiscal entities that perform governmental functions and enjoy the legal status of an instrumentality of the United States. NAFIs act in their own name to assist other DoD organizations in providing Air Force Services programs for military personnel and authorized civilians.

The USAFA has five NAFIs that were established prior to October 1, 1988.

- **Air Force Academy Athletic Association Fund.** This is a NAFI, authorized and established for the purpose of providing supplemental support to the USAFA athletic program and is financially managed by the USAFA Superintendent. (See Finding A and Finding E)
- **Air Force Lodging Fund.** This is a supplemental mission support NAFI that generates NAF revenues from service charges paid by authorized personnel residing in lodging facilities, and from sundry sales, interest income, concessions and other income.
- **Cadet Dining Hall Fund.** The purpose of this NAFI is to provide funding for the purchase of subsistence inventory to support the cadet dining hall operation, and is financially managed by the 10th Force Support Squadron.
- **Morale, Welfare, and Recreation Fund.** The major command approves the establishment of the base morale welfare and recreation fund. This fund is used to support morale, welfare, and recreation activities and programs at the base level, and is financially managed by the 10th Force Support Squadron. (See Finding A)
- **Superintendent's Mission Support Fund.** The purpose of this fund is to manage monies for the superintendent to be expended for materials, services, and supplies in furtherance of the USAFA mission.

Nonprofit Organizations

USAFA depends on private funding to support military, academic, athletic, and character development programs. Six nonprofit organizations support USAFA. These nonprofit organizations include:

- Academy Research and Development Institute,
- Air Force Academy Foundation,
- Falcon Foundation,
- Friends of the Air Force Academy Library,
- USAFA Association of Graduates, and
- USAFA Endowment.

The USAFA Association of Graduates and the USAFA Endowment are discussed below.

USAFA Association of Graduates

The USAFA Association of Graduates was founded in 1968 and is a nonprofit organization dedicated to serving the graduates and members, enhancing the heritage of the USAFA and enriching the cadet experience by funding programs not supported by appropriated funds. The mission of the Association of Graduates is to serve and support the United States of America, the U.S. Air Force, USAFA, and the graduate community by:

- working in partnership with USAFA to produce and foster graduates with an enduring commitment to integrity, excellence, and service to country;
- providing leadership, communication, and support to all USAFA graduates, and promoting camaraderie among them; and
- promoting USAFA heritage, its common traditions, and the accomplishments of its graduates.

USAFA Endowment

The USAFA Endowment was founded in 2007 and is a nonprofit organization whose mission is to provide efficient and perpetual stewardship of donated gifts to USAFA to ensure their permanency and efficacy in accordance with the donor's intent. The Endowment works actively to identify and cultivate key relationships with current and potential USAFA donors to support the USAFA Superintendent's strategic priorities.

Appendix C

Heritage Assets Not Properly Recorded

The table below summarizes the 25 heritage assets reviewed that were not properly recorded

| Sample Selection Item | Object Type | Accession Register Completed | AF Forms 3571 Completed ¹ | AF Forms 3582 Completed | Photograph on File | Condition of Heritage Asset Reported | Permanent Accession Number |
|---------------------------------------|---------------|------------------------------|--------------------------------------|-------------------------|--------------------|--------------------------------------|----------------------------|
| | | Yes/No | Yes/No | Yes/No | Yes/No | Yes/No | Yes/No |
| 1 F-16A <i>Fighting Falcon</i> | Aircraft | N | N ² | N | N | Y | N |
| 2 B-52 <i>Stratofortress</i> , BUFF | Aircraft | N | N ² | N | N | Y | Y |
| 3 F-4 <i>Phantom II</i> | Aircraft | N | N ² | N | N | Y | Y |
| 4 F-105 <i>Thunderchief</i> , "Thud" | Aircraft | N | N ² | N | N | Y | Y |
| 5 F-15 <i>Eagle</i> | Aircraft | N | N ² | N | N | Y | Y |
| 6 T-33 Model | Airplane | N | N | N | N | N | N |
| 7 Pilot Wings | Badge | N | N | N | N | Y | Y |
| 8 WTC 9/11 Memorial | Beam | N | N | N | N | Y | Y |
| 9 Pre-Columbian Pottery | Ceramic | N | N | N | N | Y | N |
| 10 Foreign Military Decoration—Brazil | Decoration | N | N | N | N | N | N |
| 11 Navajo | Jewelry | N | N | N | N | Y | Y |
| 12 Navajo | Jewelry | N | N | N | N | Y | N |
| 13 Japanese Lantern | Lantern | N | N | N | N | N | N |
| 14 Adobe Building 2 horses | Painting | N | N | N | N | Y | Y |
| 15 Charlie Potatoes | Painting | N | N | N | N | N | N |
| 16 Down at Grand Canyon | Painting | N | N | N | N | N | Y |
| 17 D-Day Mission Returns | Painting | N | N | N | N | Y | Y |
| 18 Humiston POW Collection | Miscellaneous | N | N | N | N | N | N |

| Sample Selection Item | | Object Type | Accession Register Completed | AF Forms 3571 Completed ¹ | AF Forms 3582 Completed | Photograph on File | Condition of Heritage Asset Reported | Permanent Accession Number |
|------------------------------------|---------------------------------|-------------|------------------------------|--------------------------------------|-------------------------|--------------------|--------------------------------------|----------------------------|
| | | | Yes/No | Yes/No | Yes/No | Yes/No | Yes/No | Yes/No |
| 19 | Lieutenant Marmiez | Painting | N | N | N | N | Y | Y |
| 20 | Viosin Aeroplane | Painting | N | N | N | N | Y | Y |
| 21 | Wright Brothers | Painting | N | N | N | N | Y | Y |
| 22 | Risner Statue | Statue | N | N | N | N | N | N |
| 23 | Eisenhower Sword | Weapon | N | N ³ | N | N | Y | Y |
| 24 | Musket | Weapon | N | N | N | N | Y | Y |
| 25 | Patch Display, STS 78 June 1996 | N/A | N | N | N | N | N | Y |
| Total Not Properly Recorded | | | 25 | 25 | 25 | 25 | 8 | 9 |

¹ DD Form 1149, Requisition and Invoice/Shipping Document, is used in place of AF Form 3571 when items or gifts are transferred among DoD entities, instead of from a private donor.

² The aircrafts were recorded in the Air Force Historical Collection by NMUSAF. However, the USAFA Former Museum Specialist did not have DD Form 1149 on file at USAFA.

³ At the time the Eisenhower Sword was donated, AF Form 3571 and DD Form 1149 were not used to transfer gifts. NMUSAF used a letter as the acceptable proffer of gifts. However, a copy of the letter was not on file at USAFA.

Appendix D

Heritage Assets Not Properly Conserved

The table below summarizes the 25 heritage assets reviewed that were not properly conserved.

| Location | Title of Heritage Asset | Type of Heritage Assets | Heritage Asset Properly Conserved | Condition |
|--|------------------------------|-------------------------|-----------------------------------|--|
| Guest Houses The USAFA Superintendent Housing Quarters. | Down at Grand Canyon | Painting | No | We observed that these heritage assets were not protected with a casing as suggested by AFI 84-103. We also observed sunlight and other lighting on the heritage assets, which can be especially harmful to the paintings. AFI 84-103 suggests protective casing for almost all heritage assets to protect against mold, vermin, insects, humidity, extreme cold or hot temperatures, fire, floods-water damage, ultraviolet lights, security lighting, and vandalism. In addition, the Japanese Lantern was located on the patio of the USAFA Superintendent's residence and not protected against inclement weather. |
| | Wright Brothers | Painting | No | |
| | Adobe Building 2 Horses | Painting | No | |
| | Pre-Columbian Pottery | Ceramic | No | |
| | Japanese Lantern | Stone Lantern | No | |
| | Charlie Potatoes | Painting | No | |
| | Viosin Aeroplane | Painting | No | |
| Terrazzo A large square pavilion surrounded by USAFA main buildings. | F-16A <i>Fighting Falcon</i> | Aircraft | No | We observed the heritage assets and we did not see any obvious signs of deterioration. Furthermore, a September 2011 NMUSAF inspection report, which included an inspection of the F-16A <i>Fighting Falcon</i> and the F-4 <i>Phantom II</i> , concluded that the aircraft inspected were maintained in accordance with AFI 84-103. However, the overall conclusion of the inspection report contradicts the condition of the F-16A <i>Fighting Falcon</i> that was described in the report. The inspection report states: "The nose gear stand needs to be raised so the tire is completely off the ground. At present the tire is touching, which has caused it to break free of the wheel. The nose gear also needs to be secured to the stand. The nose gear strut needs a strut collar to prevent it from collapsing." |
| | Risner Statue | Statue | Yes | |
| | F-4 <i>Phantom II</i> | Aircraft | Yes | |
| | F-105 <i>Thunderchief</i> | Aircraft | Yes | |
| | F-15 <i>Eagle</i> | Aircraft | Yes | |
| | WTC 9/11 Memorial | Beam | Yes | |
| McDermott Library | Musket | Weapon | No | We observed that these heritage assets were not protected with a casing as suggested by AFI 84-103. We also observed ultraviolet light on the heritage assets, which can be especially harmful to the painting. AFI 84-103 suggests protective casing for almost all heritage assets to protect against mold, vermin, insects, humidity, extreme cold or hot temperatures, fire, floods-water damage, ultraviolet lights, security lighting, and vandalism. |
| | Lieutenant Marmiez | Painting | No | |
| | Pilot Wings | Badge | No | |

| Location | Title of Heritage Asset | Type of Heritage Assets | Heritage Asset Properly Conserved | Condition |
|--|-----------------------------------|-------------------------|-----------------------------------|--|
| Harmon Hall The primary administration building, which houses the offices of the Superintendent and his staff. All the Heritage assets tested were located in the basement of Harmon Hall. | Eisenhower Sword | Weapon | No | We observed that these heritage assets were not protected with a casing as suggested by AFI 84-103. We also observed ultraviolet light on the heritage assets which can be especially harmful to the painting. AFI 84-103 suggests protective casing for almost all heritage assets to protect against mold, vermin, insects, humidity, extreme cold or hot temperatures, fire, floods-water damage, ultraviolet lights, security lighting, and vandalism. |
| | Patch Display, STS 78 June 1996 | N/A | No | |
| | Foreign Mil./Brazil | Decoration | No | |
| | D-Day Mission Returns | Painting | No | |
| Fine Arts Center A museum located in downtown Colorado Springs, Colorado. | Navajo | Jewelry | Yes | We did not visit the Fine Art Center. However, this Museum is a member of the America Association of Museum and is an accredited museum. We observed photographs of these heritage assets and they appeared to be protected against agents of deterioration. |
| | Navajo | Jewelry | Yes | |
| Air Park A pavilion located at the North Gate of USAFA. | B-52 <i>Stratofortress</i> , BUFF | Aircraft | No | We observed the heritage asset and we did not see any obvious signs of deterioration. Furthermore, a September 2011 NMUSAF inspection report, which included this aircraft, concluded that the aircraft inspected was in accordance with AFI 84-103. However, the overall conclusion of the inspection report contradicts the condition of the B-52 <i>Stratofortress</i> , BUFF that was described in the report. The inspection report states: "Both the outboard wings have corrosion on the underside. The bottoms of the engine nacelles have corrosion. There is peeling paint on the forward landing gear door and aft bottom fuselage. The top beacon is broken. The number 2 engine nacelle is missing a small square panel bottom. There is a loose panel on the aft right lower fuselage. While performing the inspection, a bird entered the rear of the number 1 engine." |
| Fairchild Hall The primary academic building at USAFA. | T-33 Model | Airplane | Yes | We observed the heritage asset at this site was protected with a casing as suggested by AFI 84-103. |
| NMUSAF | Humiston POW Collection | Misc. | Could Not Determine | The entire POW collection could not be located. Part of the collection was located at NMUSAF. We did not visit and did not test whether the assets at NMUSAF were properly conserved. The other part of the collection could not be located, and as a result, we could not determine whether the assets were properly conserved. |

Appendix E

Blue and Silver Club Membership Levels

| Blue & Silver Club Levels | Superintendent's Club \$700 per seat 2 seat minimum (outdoor) | Four-Star Club \$1,200 per seat 2 seat minimum (indoor) | Commander in Chief's Club \$7,000 (four seats indoor) |
|---|--|--|--|
| Tax deductible to the extent permitted by law | AF | AF | AF |
| Recognition in Game Day Football Program | AF | AF | AF |
| Complimentary Game Day Football Program | AF | AF | AF |
| Blue & Silver Commemorative Gift | Per seat | Per seat | Per seat |
| Blue & Silver Pregame Buffet (# of passes per game) | Per seat | Per seat | Per seat |
| Blue & Silver Press Box Privileges | AF | AF | AF |
| Climate-controlled Environment | | AF | AF |
| Personalized Reserved Parking, Lot #5 | AF | | |
| Personalized Reserved Parking, Lot #6 | | AF | AF |
| Pre-season VIP Party Invitation | AF | AF | AF |
| Official Member Lapel Pin | AF | AF | AF |

Receive Commander in Chief's Club benefits for life as a \$150,000 Blue & Silver Club Lifetime Member. For more information, please contact [REDACTED] or go to GoAirForceFalcons.com/falcon-pride.

BLUE
&
SILVER
CLUB

AF
BLUE & SILVER CLUB
A PROUD LEGACY

Source: United States Air Force Academy

Management Comments

Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD Comments



COMPTROLLER

OFFICE OF THE UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

AUG 29 2013

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDITING, DEPARTMENT
OF DEFENSE OFFICE OF INSPECTOR GENERAL

SUBJECT: Department of Defense Inspector General Draft Audit Report, "The U.S. Air Force Academy Lacked Effective Controls Over Heritage Assets and Guest House Inventories, and Inappropriately Solicited and Accepted Monetary Gifts"

We received the subject July 25, 2013, draft audit report and reviewed your recommendation to the Under Secretary of Defense (Comptroller)/Chief Financial Officer. A response that addresses your recommendation is attached.

We appreciate the opportunity to review and comment on the draft audit report. My staff point of contact is [REDACTED]. She can be reached at [REDACTED] or [REDACTED].

A handwritten signature in black ink, appearing to read "Mark E. Easton", is positioned above the printed name and title.

Mark E. Easton
Deputy Chief Financial Officer

Attachment
As stated

Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD Comments (cont'd)

DOD IG DRAFT REPORT – DATED JULY 25, 2013
DOD IG PROJECT NO. D2011-D000FP-0269.000

“THE U.S. AIR FORCE ACADEMY LACKED EFFECTIVE CONTROLS OVER HERITAGE ASSETS AND GUEST HOUSE INVENTORIES, AND INAPPROPRIATELY SOLICITED AND ACCEPTED MONETARY GIFTS”

OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER)
(OUSD(C)) RESPONSE TO THE DOD IG RECOMMENDATION

RECOMMENDATION F.1: We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, revise DoD Regulation 7000.14-R, “DoD Financial Management Regulation” (DoD FMR), volume 12, chapter 30, “Operation and Use of General Gift Funds,” to provide guidance and instruction to acceptance authorities on reporting for nonmonetary gifts of services to include guidance for those gifts received through volunteer gratuitous service agreements.

OUSD(C) RESPONSE: Concur. The DoD FMR Volume 12, Chapter 30, “Operation and Use of General Gift Funds” will be revised to clarify the reporting requirement for nonmonetary gifts. Chapter 30 defines gifts to include “devises or bequests, and money, real property, personal property, or services.” However, the word “services” is not identified in the reporting requirement. Non-monetary gifts of services, which include volunteer gratuitous service agreements, will be added to the reporting requirement in the next scheduled update.

Attachment

Management Comments

National Museum of the U.S. Air Force Comments



DEPARTMENT OF THE AIR FORCE
NATIONAL MUSEUM OF THE UNITED STATES AIR FORCE®
 1100 SPAATZ STREET
 WRIGHT-PATTERSON AIR FORCE BASE, OHIO 45433-7102

23 Aug 2013

MEMORANDUM FOR THE DEPARTMENT OF DEFENSE INSPECTOR GENERAL

FROM: NMUSAF/CL

SUBJECT: DoDIG audit of U.S. Air Force Academy Gifts and Nonappropriated Funds - Project No. D2011-D000FP-0269.000

1. The National Museum of the United States Air Force (NMUSAF) has several inputs for the DoDIG audit report of U.S. Air Force Academy Gifts and Nonappropriated Funds. We are responding to the two recommendations concerning the museum plus a comment on a portion of the text.
 - a. DOD IG Audit recommendation B.3 on page 22 had two parts for the NMUSAF Director.
 - (1) B.3.a. "Conduct a formal search for the missing items from the Humiston Prisoner of War Collection and take action as required by AFI 84-103, "Air Force Heritage Program," October 27, 2004."
 - (a) NMUSAF concurs with comments on this recommendation. The Director has accomplished a formal search for the missing items. The new USAF Academy Historical Property Custodian (HPC) completed the biennial inventory required by Chapter 6 of AFI 84-103 and returned the loan agreement signed by the Superintendent (Lt Gen Gould) on 30 April 2013 to the NMUSAF. The museum's curators concluded a wall-to-wall inventory of items located at the National Museum in January 2013 and re-verified that the missing Humiston artifacts were not returned to this location. The Senior Curator has completed the research of various market and commercial sources and established values for the missing items so that a Report of Survey can be processed. Once this process is completed, the items will be removed from the account and deaccessioned from the USAF national historical collection in accordance with procedures contained in Chapter 6 of AFI 84-103.
 - (2) B.3.b. "Perform oversight of USAFA's inventory of heritage assets until USAFA's entire inventory of heritage assets are properly accepted, recorded, and reported."
 - (a) NMUSAF concurs with comments on this recommendation. The Director has performed actions to oversee the inventory of heritage assets at USAFA. The new USAF Academy Historical Property Custodian (HPC) completed the biennial inventory required by Chapter 6 of AFI 84-103 and returned the loan agreement signed by the Superintendent (Lt Gen Gould) on 30 April 2013 to the NMUSAF. The HPC uses AFMATS (AF Museum Artifact Tracking System) to record location changes for items in the holdings and new acquisitions to the collection. NMUSAF curators verify this information as it is received from the USAFA HPC. NMUSAF curators are currently working to reconcile the findings from the inventory process and continue to provide guidance and oversight to the new HPC. This guidance includes but is not limited to the need for establishing legal acceptance for new accessions and the completion of Air Force Form 3571, *Proffer of Gift*.

National Museum of the U.S. Air Force Comments (cont'd)

b. NMUSAF also provides a comment about a specific portion of the narrative.

(1) On page 18 the narrative states that "the USAFA Superintendent, NMUSAF Director, and the USAFA Director of Communications did not provide adequate oversight of the heritage program. For example, the USAFA Superintendent did not delegate gift acceptance authority and did not ensure heritage assets were being properly accepted, recorded, reported, and conserved. The NMUSAF Director and the USAFA Director of Communications did not require the former museum specialist to complete comprehensive wall-to-wall inventories of USAFA heritage assets, and as a result, an inventory of heritage assets was not completed. Additionally, the USAFA Superintendent and NMUSAF Director did not properly staff the heritage program to ensure that heritage assets were properly accepted, recorded, reported, and conserved. USAFA officials stated that in March 2011, the USAFA Director of Communications, in coordination with the USAFA Manpower and Personnel, documented the need for an additional person for the heritage program, but the position was never funded."

(a) NMUSAF comment: The NMUSAF Director did require the former museum specialist to complete comprehensive wall-to-wall inventories of USAFA heritage assets; however the specialist did not do it. The NMUSAF Director does not resource the USAFA for staffing its heritage program. Decisions for the establishment, operation, and sustainment of heritage programs are performed at the organizational level based on manpower standards and work load requirements. It is the responsibility of the USAFA Superintendent to identify billets, fund them, and fill them.

2. Thank you for the opportunity to review the audit report and provide input.

John L. Hudson
JOHN L. HUDSON
Lt Gen, USAF (Ret)
Director

23 Aug 2013

Management Comments

U.S. Air Force Academy Comments



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE ACADEMY

23 AUG 2013

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL

FROM: HQ USAFA/CC
2304 Cadet Drive, Suite 3300
USAF Academy CO 80840-5001

SUBJECT: Management Comments, Draft Report of Audit, U.S. Air Force Academy Lacked Effective Controls over Heritage Assets and Guest House Inventories, and Inappropriately Solicited and Accepted Monetary Gifts (Project: D2011-D000FP. 0269.000)

1. The following management comments are provided in response to the DoD Inspector General Draft Report of Audit, U.S. Air Force Academy Lacked Effective Controls over Heritage Assets and Guest House Inventories, and Inappropriately Solicited and Accepted Monetary Gifts.

U.S. Air Force Academy Superintendent should:

- **Recommendation B.1.** Delegate acceptance authority for heritage assets to the USAFA Museum Specialist or other individuals as appropriate.
- **Response to Recommendation B.1.** Concur. The Museum Specialist currently has an appointment letter as the accountable officer for the Air Force Art Program in accordance with AFI 84-104, *Art Program*, 1 January 2006. The specialist has been appointed the historical property custodian in accordance with AFI 84-103, *U.S. Air Force Heritage Program*, 27 October 2004, for historical property at USAFA. Specific acceptance authority for heritage assets for the museum specialist will be added to AFI 51-601, *USAFA Supplement, Gifts to the Department of the Air Force*, 5 January 2011, in accordance with approved delegation authority of the Superintendent. Estimated Completion Date: 31 December 2013.
- **Recommendation C.1.a.** Conduct a physical inventory of the guest house furnishings, including pilferable items to establish a baseline of guest house furnishings.
- **Response to Recommendation C.1.a.** Concur. An initial inventory was accomplished of guest house furnishings, including pilferable items by the Chief, U.S. Air Force Academy Development and Alumni Programs, in coordination with the museum Specialist and the Superintendent's Enlisted Aides. A comprehensive inventory of the guest houses (Mountain House and Doll House) was conducted at change of occupancy of The Carlton House. Air Force guidance requires physical inventories to be conducted annually, which will be followed. Closed: 22 July 13.
- **Recommendation C.1.b.** Appoint an accountable property officer for guest house furnishings.

Developing Leaders of Character

U.S. Air Force Academy Comments (cont'd)

- **Response to Recommendation C.1.b.** Concur. The Superintendent will appoint Academy personnel, in accordance with DoD and Air Force property/furnishings management instructions, for management and accountability of guest house furnishings. Estimated Completion Date: 30 September 2013.
- **Recommendation C.1.c.** Appoint a responsible officer for guest house furnishings.
- **Response to Recommendation C.1.c.** Concur. The Superintendent will appoint a responsible officer for guest house furnishings. Estimated Completion Date: 30 September 2013.
- **Recommendation C.1.d.** Appoint a property custodian for guest house furnishings.
- **Response to Recommendation C.1.d.** Concur. The Superintendent will appoint a property custodian for guest house furnishings. Estimated Completion Date: 30 September 2013.
- **Recommendation C.1.e.** Establish standard operating procedures in accordance with DoD Instruction 5000.64, *Accountability and Management of DoD Equipment and Other Accountable Property*, 19 May 2011; Air Force Instruction 23-111, *Management of Government Property in Possession of the Air Force*, 7 January 2011; and Air Force Instruction 32-6004, *Furnishings Management*, 18 April 2002, for managing guest house furnishings including pilferable items.
- **Response to Recommendation C.1.e.** Concur. Standard operating procedures will be developed. Estimated completion Date: 31 December 2013.
- **Recommendation E.1.a.** Require U.S. Air Force Academy Athletic personnel to:
 - 1) Cease soliciting and giving donors benefits in exchange for monetary gifts
 - 2) Establish and implement a plan for recurring training on soliciting and accepting monetary gifts
- **Response to Recommendation E.1.a.** Concur with intent. During this audit and pursuant to 10 USC 9362, the U.S. Air Force Academy Athletic Association (AFAAA) was converted to a Colorado nonprofit on 1 Jul 2013. Effective 1 Jul 2013, the Blue and Silver program and other former AFAAA revenue generating functions are run by the Colorado nonprofit and are no longer run under a federal model. This restructuring minimizes the risk and potential of solicitation identified during audit field work. Additionally, the nonprofit will comply with all necessary laws, regulations and requirements and be evaluated through A133 and other required government audits. Closed: 1 July 2013.
- **Recommendation E.1.b.** Require Nonappropriated Fund accounting personnel to establish and implement a plan for recurring training on recording and reporting monetary gifts.

U.S. Air Force Academy Comments (cont'd)

- **Response to Recommendation E.1.b.** Concur with intent. During this audit and pursuant to 10 USC 9362, the U.S. Air Force Academy Athletic Association (AFAAA) was converted to a Colorado nonprofit on 1 Jul 2013. Effective 1 Jul 2013, the Blue and Silver program and other former AFAAA revenue generating functions are run by the Colorado nonprofit and are no longer run under a federal model. This restructuring eliminates the need for a reoccurring training plan because the government athletic association is no longer accepting gifts. Additionally, the nonprofit will comply with all necessary laws, regulations and requirements and be evaluated through A133 and other required government audits. Closed: 1 July 2013.

U.S. Air Force Academy Director of Communications should:

- **Recommendation B.2.a.** Review the actions of personnel in the Development and Alumni Programs office regarding the deficiencies identified in this report, including controls over heritage assets (Finding B), guest house furnishings (Finding C), and contracts using gift funds (Finding D). On the basis of that review, take appropriate management action, including holding the necessary officials accountable.
- **Response to Recommendation B.2.a.** Concur. The U.S. Air Force Academy Director of Communications will review actions of personnel regarding the deficiencies identified in the report and consider any appropriate management actions which may be warranted. Estimated Completion Date: 31 December 2013.
- **Recommendation B.2.b.** Implement controls to ensure that Air Force Form 3571, *USAF Heritage Program Proffer of Gift Agreement*, 19 August 2003, and *USAF Heritage Program Accession Worksheet*, 19 August 2003, are completed and maintained for all heritage assets received.
- **Response to Recommendation B.2.b.** Concur. Air Force Form 3571, *USAF Heritage Program Proffer of Gift Agreement* and *USAF Heritage Program Accession Worksheet* are now being used for heritage assets received by the Academy. Guidance and controls will be implemented to ensure the form is prepared in accordance with requirements of AFI 84-103, *U.S. Air Force Art Program*, 27 October 2004. Estimated Completion Date: 31 December 2013.
- **Recommendation B.2.c.** Implement controls to ensure that all heritage assets are recorded in the Air Force Museum Artifacts Tracking Systems (AFMATS) in accordance with Air Force Instruction 84-103, *Air Force Heritage Program*, 27 October 2004. Specifically, the director of communications should implement controls to ensure that:
 - 1) the accession folder includes photographs
 - 2) photographs include an accession number
 - 3) the accurate heritage asset condition is in the Air Force Museum Artifacts Tracking System, and
 - 4) all heritage assets are assigned a permanent accession number

U.S. Air Force Academy Comments (cont'd)

- **Response to Recommendation B.2.c.** Concur. All recent acquisitions are being recorded into AFMATS in accordance with AFI 84-103. Future recording of acquisitions will follow AFI 84-103 guidance. Controls will be implemented to ensure required heritage assets are recorded properly. Currently in the process of clearing backlog of those items not properly recorded. Estimated Completion Date: 30 June 2014.
- **Recommendation B.2.d.** Take appropriate action as determined by the resource requirement review.
- **Response to Recommendation B.2.d.** Concur. At the completion of the current manpower study, will request leadership support to fund any additional validated positions, dependent on hiring restrictions and availability of funds. Estimated Completion Date: 31 December 2013.
- **Recommendation B.2.e.** Perform a review and analysis of the U.S. Air Force Academy Heritage Program to determine the most efficient and effective processes and procedures for accepting, recording, reporting, and conserving heritage assets.
- **Response to Recommendation B.2.e.** Concur. Review and analysis will be conducted to determine if additional processes and procedures to those already established in AFI 84-103, *U.S. Air Force Art Program*, 27 October 2004 and AFI 84-104, *Art Program*, 1 January 2006, are required. Estimated Completion Date: 31 December 2013.
- **Recommendation B.2.f.** Based on the results of the review and analysis of the USAFA Heritage Program, develop and implement processes and standard operating procedures for accepting, recording, reporting and conserving heritage assets.
- **Response to Recommendation B.2.f.** Concur. As a result of the review and analysis of the USAFA Heritage Program and applicable Air Force Instructions, any newly identified processes and standard operating procedures for accepting, recording, reporting and conserving heritage assets will be accomplished. Estimated Completion Date: 31 December 2013.

U.S. Air Force Academy Development and Alumni Programs, Chief should:

- **Recommendation D.1.** Revise USAFA Instruction 51-601, *USAF Academy Management and Use of Gift Funds*, 5 January, 2011, to state that gift funds constitute appropriated funds unless Congress provides otherwise, and the Federal Acquisition Regulation (FAR) is the applicable guidance for contracting with gift funds. This revision should also remove the language that gift funds are neither appropriated nor nonappropriated funds.
- **Response to Recommendation D.1.** Concur. The Superintendent/staff will revise USAFAI 51-601, *USAF Academy Management and the Use of Gift Funds*, 5 January 2011 to clarify language relating to the designation of gift funds as appropriated funds, for the purposes of applicable contracting actions, and the applicability of the FAR and DoD Grant and Agreement regulations for contracting with gift funds. Estimated Completion Date: 31 December 2013.

U.S. Air Force Academy Comments (cont'd)

- **Recommendation F.2.** Coordinate with the Air Force General Counsel to:
 - a) Develop a plan to ensure that gifts used to fund endowments, academic chairs, or to support visiting professors or other similar individuals providing instruction to cadets are reported, as appropriately determined by the Under Secretary of Defense (Comptroller)/ Chief Financial Officer, DoD, on a quarterly basis to Defense Finance and Accounting Service.
 - b) Report the six nonmonetary gifts of services, valued at \$596,506, to the Defense Finance and Accounting Service, if determined appropriate by the Under Secretary of Defense (Comptroller) Chief Financial Officer, DoD.
- **Response to Recommendation F.2.** Concur. USAFA is awaiting guidance from Under Secretary of Defense (Comptroller)/ Chief Financial Officer on how to report these gifts of services to the Defense Finance and Accounting Services. USAFA will develop a plan to report all future gifts to fund academic endowments and the six nonmonetary gifts of services, valued at \$596,506, discussed in the report to the Defense Finance and Accounting Services in accordance with the Under Secretary of Defense (Comptroller)/ Chief Financial Officer's determination. Estimated Completion Date: 31 December 2013.

Director, 10th Contracting Squadron should:

- **Recommendation D.2.** Ratify the contracts and modifications signed by the Development and Alumni Program officials.
- **Response to Recommendation D.2.** 10th Contracting Squadron analysis of these contracting efforts determined that the services were provided and accepted for a government bona fide need and the prices paid were fair and reasonable. The 10th Contracting Squadron will initiate a legal review of each contract and include ratification documentation in each file to document completion of the audit trail on these actions. Estimated Completion Date: 31 December 2013.

2. Point of contact for this memorandum is [REDACTED]



MICHELLE D. JOHNSON
Lieutenant General, USAF
Superintendent

Acronyms and Abbreviations

| | |
|---------------|---|
| AF | Air Force |
| AFAAA | Air Force Academy Athletic Association |
| AFI | Air Force Instruction |
| AFMAN | Air Force Manual |
| AFMATS | Air Force Museum Artifacts Tracking System |
| APO | Accountable Property Officer |
| CFR | Code of Federal Regulations |
| CMA | Development and Alumni Programs |
| DFAS | Defense Finance and Accounting Service |
| FAR | Federal Acquisition Regulation |
| FMR | Financial Management Regulation |
| GAO | Government Accountability Office |
| MWR | Morale, Welfare, and Recreation |
| NAFs | Nonappropriated Funds |
| NAFIs | Nonappropriated Fund Instrumentalities |
| NMUSAF | National Museum of the U.S. Air Force |
| RO | Responsible Officer |
| SOPs | Standard Operating Procedures |
| USAFA | United States Air Force Academy |
| USAFAI | United States Air Force Academy Instruction |
| U.S.C. | United States Code |

Whistleblower Protection

U.S. DEPARTMENT OF DEFENSE

The Whistleblower Protection Enhancement Act of 2012 requires the Inspector General to designate a Whistleblower Protection Ombudsman to educate agency employees about prohibitions on retaliation, and rights and remedies against retaliation for protected disclosures. The designated ombudsman is the DoD IG Director for Whistleblowing & Transparency. For more information on your rights and remedies against retaliation, go to the Whistleblower webpage at www.dodig.mil/programs/whistleblower.

For more information about DoD IG reports or activities, please contact us:

Congressional Liaison

Congressional@dodig.mil; 703.604.8324

DoD Hotline

1.800.424.9098

Media Contact

Public.Affairs@dodig.mil; 703.604.8324

Monthly Update

dodigconnect-request@listserve.com

Reports Mailing List

dodig_report-request@listserve.com

Twitter

twitter.com/DoD_IG



DEPARTMENT OF DEFENSE | INSPECTOR GENERAL

4800 Mark Center Drive
Alexandria, VA 22350-1500
www.dodig.mil
Defense Hotline 1.800.424.9098

